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IN THIS ISSUE

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Editor ARTHUR H. HERT
Associate Editor LEONARD BERRY
Executive Vice President WILLIAM H. BLAKE

Editorial Offices: 375 Jackson Ave., St. Louis 30, Missouri, PArkview 7-4045.
Advertising Representative: Ralph Duysters, 38 E. 57th St., New York 22, N. Y.
Washington Counsel: John F. Clagett, 301 E. Capital St., Washington 3, D. C.

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editorial

Advising The Retailer On Credit

EDWIN B. MORAN, Executive Vice President, National Association of Credit Management, was recently asked to prepare a set of rules for guiding the retailer on credit extension.

Mr. Moran points out that, "The role of the credit executive is multiple. In addition to being the *Manager of Credit Sales* and *Management Counselor*, he must be guardian of accounts receivable, a customer counselor and an educator."

The 18 points listed by this leading economist deserve considerable thought and are reprinted here for The Credit World readers.

1. **Know your customer before accepting his credit.**
2. **Insist upon references and investigate them before accepting credit of strangers.**
3. **When the prospective customer hesitates to give references, hesitate in giving a line of credit.**
4. **Explain that it is necessary to know when to expect payment in order to meet your own bills.**
5. **Show that, by discounting your own bills promptly in 10 days, you are able to sell goods at the lowest price, and that by paying cash you often can pick up bargains which you can pass on to your customers.**
6. **Send out your statements promptly every week, or two weeks, or every month, according to the arrangement with your customers.**
7. **Insist upon full payment every month or request that your customer call and see you personally, before you grant a longer extension of time.**
8. **Don't let your customers decide when they want to pay their bills. That's YOUR job.**
9. **Remember that the possible loss of a few customers who won't pay promptly is offset by the advantages of prompt payment.**
10. **Don't be satisfied with merely a financial rating on a customer. Learn something of his character and general reputation.**
11. **Study your customers and don't trust those who leave a bad impression.**
12. **Have the courage to say "NO." Thousands of merchants have lost thousands of dollars because they would not say "NO."**
13. **Never abandon hope of collecting an old account.**
14. **Try sending statements to only your surest customers. Use one of your clerks for the collection of others.**
15. **Personally examine every uncollected account and accept only a legitimate reason for the failure of your customer to pay promptly.**
16. **Help to eliminate the "dead-beat" by giving careful and prompt attention to all requests you may receive for credit information.**
17. **Use and boost your credit bureau.**
18. **Make sure your bookkeeping is accurate, that every charge is made correctly. Don't let your customers be the first to discover the errors.**

William H. Blake

Executive Vice President

National Retail Credit Association

Consumer Credit
As Viewed by a Congressman

THOMAS B. CURTIS
Second District of Missouri

(An address at the 46th Annual International Consumer Credit Conference, Chicago, Illinois, June 6, 1960.)

CONSUMER CREDIT has been a subject in which I have been very much interested for many years.

Soviet Russia is now following Western Europe in developing consumer credit. Western Europe, has been slow in developing consumer credit; indeed it has been only since the Korean War that consumer credit has assumed any importance there, and yet today there are indications that its growth rate is matching that which has occurred in the United States.

Consumer credit in the United States has been growing at a very rapid rate. At the end of 1950 total consumer credit outstanding was $21,741 Billion. At the end of 1959 the total was $52,046. The figure by the end of 1960 will be close to $60 Billion.

Even in the United States consumer credit may be regarded as a recent and modern phenomena. In 1929 the total consumer credit outstanding was $6.4 Billion and in 1945 it was $5.7 Billion. It is apparent, however, that World War II stunted the growth of this economic phenomena, because in 1941 the figure was $9.2 and this should be related to the nadir of 1933 of $3.5 Billion.

The most rapid growth has been in personal loans. $2.8 Billion in 1950 to $9.97 in 1959, although automobile paper is a close second, $6.07 Billion in 1950 to $16.59 in 1959. Repair and modernization loans jumped from $1.016 in 1950 to $2.704 in 1959. Other consumer goods paper rose from $4.799 in 1950 to $10.243 in 1959. Non-installment credit, though showing continuing growth, is less spectacular. The 1950 figure was $6.768 Billion in comparison to $12.564 Billion in 1959.

Underlying this growth is its strange imperviousness to the post war recessions. Also notable is the commendable increase in the installment credit repaid figures which rise from $18.445 in 1950 to $43.239 in 1959. Of course, without this factor, installment credit would not be a business.

I believe it is about time that consumer credit receive the social and economic analysis that its importance deserves. Much damage can result, indeed has resulted from a misinterpretation of what consumer credit is in essence.

For example, I believe that consumer credit is really not a proper tool for monetary control except in very short periods of time, and even then only in very specific ways. And yet it is one of the first items listed by economists and monetary authorities when they speak of monetary restraint. When standby controls are mentioned reference is immediately made to consumer credit as one of the major controls to be implemented.

I believe, aside from the evidence before our own eyes in the U. S. A. and Western Europe, if a communist state like Russia is beginning to use consumer credit it must have some real basis in modern economics.

The inherent power behind this economic phenomena has to be very great to break through the communist ideology which it basically contradicts.

Indeed, this economic force is great. It stems from the fact that an individual's needs and wants do not conform to the years in his life during which he is gainfully employed. Consumer credit is the counterpart of pensions and annuities and insurance. Both seek to spread the earnings of the individual more equally over his entire life, and not bunch it in the years when he is actually productive.

Much has been done in our society by way of spreading income over from the working period of a man's life to the years of his retirement and many devices have been developed to assist him in performing this desirable economic and human function.

Little, however, has been said of anticipating the income of an individual so that the earlier years before the earnings are sufficient may be adequately and economically financed. Yet if spreading income over a person's entire life more equally is important, and I believe it is, attention should be paid to both periods when the income is not being earned . . . the period before it is earned as well as the period after it has been earned.

The income of a man should be permitted, if at all economically possible, to be related to his expenditures. We have learned that business cycles no longer, if they ever did, relate to the number of days it takes the earth to go around the sun. Similarly, we should realize that the individual man has only 40 working years out of a lifetime of three score and ten. The expenditures required of a man when he starts married life, for example, are on the average greater than his expenses after his family has been raised, particularly after he has acquired equity interests in his home, consumer durables, savings, etc.

The income of a man should be spread, if it can be done economically, to cover the period when he is still learning his profession, or trade. I might interpolate that either it is his anticipated income that is used or it is bound to come somewhere from within the society, be it the family, privately endowed institutions or the government, if we are to have education. Indeed, the correlation between amount of education and amount of income has now been clearly established and money invested in education can be paid off as a relatively small percentage of the increased earnings resulting from the education. Society as well as the individual benefits from this process.

I do not believe our society based as it is upon the theory that men should be permitted to rise to the limits of their abilities is well served by an economic system where only those who have assisting parents or inheritance can gain the capital necessary to get the education they can absorb to establish for themselves and their families the standard of living which their abilities would permit. Nor do I believe our society is well served by the alternative system of having a political bureaucracy set up a system of endowments and scholarships and select through whatever procedures they might develop who shall be more fully trained and educated and who shall not. Consumer credit is the way to get off this dilemma.

There is no question of the added value to society from spreading income from the earning years to cover the later years of retirement from earning. This process requires savings. Capital accumulation which is required to finance economic growth is dependent upon savings.

Spreading Income

However, there is this added value to society from spreading income from the future back to the present in order to train and educate the future entrant into the labor market, which I suggest. Furthermore, there is, I have suggested, the value to society from spreading income anticipated in the future back to the present in order to permit young families to have and rear children in an atmosphere and home life of reasonable high standards. To be specific, if a young mother can have a dish washer, a clothes dryer during the period she is trying to raise young children she can do a much better job of rearing the children and society definitely benefits from this process.

I believe the economists who look at the increasing amount of consumer credit in the United States with alarm should relax. The rapid growth should be related to the fact that consumer credit in the United States, if it is the economic and social phenomena I believe it is, has not yet matured, indeed it is in its infancy, and it will not mature until three full generations pass. Furthermore, as inherited wealth continues to decline in importance in our society, as I anticipate it will, I expect consumer credit to take up the gap. Consumer credit will reach maturity when the personal income of our society is fully spread both backwards and forwards relating the earning years to the full years of the individual's life.

There are many faults in our political economic structure which still operate at cross purposes to the idea of spreading a person's income throughout their entire life as opposed to spreading it unevenly as we do over the working years of a person's life. Our tax laws still do not recognize this desirable feature, although in respect to savings and spreading income into the later years of life through annuities and other devices some recognition has been given to it. However, under our system of graduated income taxes we have no device which permits a person to spread his personal income for tax purposes over a period of years. The result is that those with fluctuating incomes like our farmers or those who amass most of their income for their life in a few short years like athletes and entertainers are taxed at higher rates in the years of great earnings and in the years of little or no earnings they frequently lose even the value of their personal exemptions. Accordingly, a great premium and one without any social values that I can see, is placed under our graduated income tax laws upon a person with a more even-flow of income.

We have seen the great efforts being made by our people to spread their income into their years of retirement through stock purchase plans, pension plans, insurance of all sorts, etc., which seek to avoid the impact of the high tax rate in their years of earning. This era has been one of insurance, one of pre-payment, which is good. Now we are seeing an overlapping of a new era, that of post-payment, and it is important to examine it to see if it, too, is good.

I again point out that pre-paying . . . saving . . . for retirement has received the social and monetary economists' sanction because it carries with it the desirable economic feature of generating savings. It also carries with it the sanctions of mankind's traditions developed over the centuries he has had to cope with economic laws based as they

were upon scarcities. Therefore, the progress we are making in encouraging retirement programs has been widely acclaimed.

Unfortunately, post-paying . . . consumer credit . . . has not received this social sanction and indeed it is viewed as being something almost socially undesirable. One reason, of course, has been the thought that this is the reverse of saving. Another explanation is that we have not yet fully realized that base of all economic law of the centuries preceding us has been altered. Through the availability of electric power and technological advancements on a broad front, our society in America today is based upon plenty, not scarcity. But I can even speak to the subject in a traditional fashion and point up arguments which I think make credit respectable.

Some consumer credit may be the reverse of saving, but a great deal of consumer credit is in itself saving. Buying a consumer durable on time certainly is a device for gaining an equity investment in the consumer durable, and to this extent it is savings. Buying a home on time certainly has a large element of saving connected with it. I have suggested that buying an education on time is in essence a capital investment that produces an ample return on the investment. Therefore, even that has a large aspect of saving about it. Post paying a trip to Florida or Europe seems to have little element of saving about it, and I can imagine other areas of use of consumer credit which on their face also seem to have little savings in them. Yet, I would not presume to judge hastily what is in reality a capital investment and what not. A trip to Europe to a budding young architect or a linguistic student might indeed be a very sensible capital investment and, therefore, have a real element of personal as well as social saving about it.

The most that can be said against consumer credit saving is that it does not provide accumulated capital for investing in economic growth. But even here we must pause to take stock. We are well aware of the fact that economic growth is dependent on something more than capital accumulation; it is likewise based upon human skills and capital must be used to train the skills if they do not already exist. It is not easy to separate capital from that which capital must be spent for. When we speak of capital being necessary to finance growth we certainly imply that the capital will be spent. Investing money in a company means that the company will use the capital for either building buildings, purchasing machines or in training human skills or at least in gathering together human skills that already exist.

Am I coming through on this subject of consumer credit? If I am, then it should now be apparent why I view with great alarm the idea that consumer credit controls is a desirable social tool for controlling consumer spending. If what we are seeking in utilizing credit controls is to curb inflation then I would urge that we deal directly with what we are talking about . . . prices of goods and services. Much as I dislike the idea of price controls because of the administrative difficulties connected with them and the interference that it imposes in the free market place, I would much prefer this type of control to an attempt to interfere with the economic function being performed in our society by consumer credit . . . as I have been outlining it. Not is it sufficient to state that consumer credit controls would be selective. Who indeed is capable of "selecting" what our individual citizens should have and not have.

However, I would like to go one step further in discussing inflation itself because inflation has been as much misunderstood in my judgment, as has consumer credit. Real inflation is what I call a blood disease. It exists when we have tampered with the value of money as a measure of goods, services, labor and savings. I have said tampered. Perhaps a better statement would be this, when through our ignorance we have failed to preserve the dollar as an accurate measuring device of goods, services, labor and savings.

Economic Costs

Part of our tampering or failure to act wisely in our treatment of the dollar as a "weight and measure" has been our failure to understand economic costs. Our method of measuring inflation has been primarily through the consumer price index, the wholesale price index and other selective series. All of these statistical series though very valuable have obvious defects about them.

None of them measure increase in quality or the cost resulting from increased variety or choice. Furthermore, none of these indices measures other increased real costs . . . for example the economic cost resulting from the depletion of the Mesabi iron ore in Minnesota was bound to increase the cost of steel and this increase unless compensated for by increased productivity was bound to show up in the consumer price index. Yet, it would be economically unsound to refer to this increased rise as an element of "inflation".

The cost of rapid technological advancement is another real economic cost which is not measured in our economic indices set up to measure inflation. We talk about the increased cost of drugs and seek to relate that to inflation or to some group of individuals trying to gouge the public. Both references are equally unsound. Rapid technological advancement springs from increased capital spent in research and development. This cost must be recouped in the price charged for the product. Rapid technological advancement brings in its wake obsolete equipment and obsolete skills. The cost of this, too, must be borne somewhere, usually in the price of the product or service to be sold. Rapid technological advancement requires training of new skills and the purchase of new equipment. These costs too must be borne. The only recoupment of these costs other than in sales price of the articles or services is through increased quality, which is very inadequately measured in our indices and increased productivity which might be reflected in a lowering of the cost.

Consumer controls or indeed price controls will not help to hold in line this economic process, except to damage it. If a wrong diagnosis has been made the only effect of treating this as the disease of inflation would be to curb future economic growth as well as undermine the present standards of living.

Monetary Disease

There is such a thing as inflation . . . a monetary disease. It occurs when more money is printed than the economic growth up to that point justifies. Credit control is not money control. It can be affected by the amount of money available and it can be controlled by those who have the power to control the amount of money in ways short of credit controls. Unfortunately, in the past those who have the power to control money have confused credit with money and with the economic process which I have attempted to describe. In so doing they have damaged economic growth as well as price stability.

Credit is controlled, in essence, by the judgment of those in the business of extending it. If they—and that means essentially this audience—relate it to the ability of the individual to earn and they look upon this as a method of income spreading then we will keep the process from being abused.

Furthermore, I believe the success or failure of the credit man's business is so wrapped up in making an accurate appraisal of potential earnings of their customers that there really is little danger of their over extending credit. However, as in any business there can be those who enter it to abuse it—to make the fast buck and then to flee. But I regard policing against this kind of operation to be the same as policing against any kind of piracy. We must maintain constant vigilance, but as long as the pirates don't control the police force we are on safe grounds.

Credit Control

In this respect I want to discuss briefly a subject where I believe those in the credit control field need to tighten up. A Congressional Committee has already started looking into this matter. I do not believe I am telling any of you anything. All I am really doing is emphasizing it. There must be an end to this business of using a consumer durable business or any other business seeking to sell goods or services to the public as a front for what really is a business of extending consumer credit. However, these are rackets and like all rackets they cannot stand up against good competition. Indeed, the only way they can survive economically is gouging the public at high prices. I saw a great deal of this operation back in the thirties when I was Chairman of the St. Louis Bar Small Loans Committee. And I am happy to state it was the good small loan companies who provided the force needed to curb the abuses and keep the matter in hand.

It is my opinion that you are in a new, growing, exciting and socially valuable economic operation. If you handle it well, as I believe you essentially have been handling it, you will be making a great contribution to the well being of our society and to each individual who goes to make it up today and those who will be its composition three generations from now. ★★★

CYRIL J. JEDLICKA

Revolving Check Credit and Charge Account Financing

Continued from July CREDIT WORLD

Maybe we not yet know the real answer to this problem. Basically however, if we have properly screened our credits when we extended this service, we should not be unduly alarmed by the use of it. The trick is to do business with the right people.

In our Bank, we attempt to call as many of these borrowers as possible and explain to them our conception of the proper usage of such an account. In other words, a program of education.

We are constantly reviewing our credits based on delinquency and on credit bureau information which is furnished to us by our local credit bureau daily on a reciprocal basis. Our experience to date has been excellent with delinquencies of 30 days and over by number of accounts running from one-half to one per cent and compares favorably with the same percentage on our unsecured personal instalment loans. Charge-offs too have been low and are about the same as on our unsecured personal instalment loans.

Some banks offering the revolving check credit plan operate on what is called the draft plan. Under this variation, instead of issuing special checks to the customer, drafts are given to the customer and when credit is desired, one of the drafts for the amount of credit needed is sent to the bank who credits this amount of money to the customer's regular checking account. One of the advantages of this plan is that each one must have a regular checking account while this is not always true under the first plan. Against this advantage is the criticism that this plan is more awkward and cumbersome to operate.

All the check credit plans are basically the same, with minor variations. The basic principle is to arrange a line of credit for a customer, who borrows against it by writing a check, then repays on an instalment basis.

Some critics have pointed out that this plan may encourage too many persons to be perpetually in debt. They say it isn't sound policy to encourage such a practice, as it tends to minimize the virtues of thrift and living within one's income.

On the other hand, defenders of revolving check credit point out that some 70 per cent of personal loan customers are renewal or repeat customers. They claim, therefore, that there is little difference between the effect of revolving credit and the practice of renewals of personal or even other consumer loans.

But this view isn't readily accepted by some bankers. They point out that personal loans always have a definite date of maturity and are expected to be repaid as agreed. If additional funds become necessary, there is a review of the situation by the lending officer.

The critics of revolving credit thus argue that the banker is deprived of knowledge of the purpose of the loan, which they feel is a key point. On the other side, it is suggested that many times the stated purpose may not be the actual use to which loan funds are put. So the argument is difficult to resolve on this particular point.

Most bankers agree that check credit plans produce profits more quickly than charge account plans. But income is limited to the one per cent or one and one half per cent per month plus a check activity charge on the former, while the potential is much higher for the latter.

At the same time, expenses are admittedly high for check credit, due largely to the cost of processing credit appplications and to promotion costs. But renewals are less costly than for regular personal loans, thus providing an offsetting factor.

Because the revolving credit plan is aimed at the better credit risks, many banks are no longer making the broad appeal for applicants. Instead they comb their files and prospect lists for those that will qualify. They realize that a rejected applicant is likely lost as a future customer even though he might qualify for another type of credit.

Rejection Ratios

On the other hand, many of the banks in this field report that their rejection ratios are actually distortions because numerous declined check credit applications are "salvaged" into some other type of instalment loans. This is true in the case of my bank.

First National of Boston, the bank which pioneered the revolving check credit idea, reports that its plan went into the black in its second year and has been showing a profit since.

Actually, a great many take the view that revolving credit is overemphasized. They say it is just another service for customers—another convenience in the department store of banking approach or full-service theme that is predominant in banking today.

But do these plans bring in new business? Evidence that they do is found in the concern of some small loan companies who complain that they have lost some of their best customers to the revolving check credit plan. Some executives of these companies have hinted that they are considering their own revolving credit plans as a counter measure. The key, as they see it, is in the ease of renewal offered by the revolving plan.

Summing up, it seems clear that revolving credit idea has gained enough support to continue as a factor in many larger banks. But the spread of such plans into other banks has definitely been slowed.

The charge also is made that revolving credit plans are basically inflationary and encourage going into debt. In my opinion this is not true. If this is a service extended to well established credit risks and the parties have shown by their records that they know how to handle their financial affairs, I do not believe they will change their financial habits just because credit is available without the usual red tape. Rather a large percentage of the usage of this credit will be a transfer from other media of credit and a transfer from secondary lending agencies because of the ease of operation and generally lower costs.

We feel that we are not encouraging profligate spending but rather are providing carefully granted credit to worthy people.

We believe that our "Borrow-By-Check" is sound, profitable and a worthwhile permanent service in our community.

Fundamentally Honest

It is sound because all of us believe that the American public is fundamentally honest, that the extension of credit in reasonable amounts to individuals properly selected who are honest and reliable and who have proven by their credit records that they respect their obligations is sound, and that has been proven by the instalment operations in all of our banks as well as the operation of the various revolving credit operations.

It is worthwhile because it offers another banking service to our respective communities which is not only convenient to our banking public but brings in new customers to our banks that are exposed to and can be sold many of our other banking services. Not only does this service net the bank a reasonable profit, but also these other collateral benefits add considerably to the value of the plan. Approximately 60 per cent of our "Borrow-By-Check" accounts are new customers to 'City Bank'. All are solicited for regular checking at the time the account is opened and many accounts are opened then or later as a result of this solicitation.

In addition, many safe deposit boxes have been sold and as a result of mailings from time to time, savings accounts and other services are offered to them. A considerable number of automobile and home improvement and other loans also come from this group of customers.

We do not feel that this plan has hurt our instalment loan operation in any way but rather that this plan is a natural and profitable additional service which compliments and aids our instalment lending division. Our unsecured direct instalment loans have continued to increase during these five years.

Now let us consider for a few minutes the Bank Charge Account financing plans. For many years, the view has been expressed that the small retail merchant, who is not able to afford a full-fledged retail credit operation, operates at a distinct disadvantage with their competitors—the local department and downtown stores who are able to extend such credit accommodations. The Bank Charge Account Financing Plan is a partial answer to this problem.

About 10 years ago The County Bank & Trust Company of Patterson, New Jersey and the Franklin National Bank of Long Island entered such a plan and over the years were followed by about 75 banks in various sections of the country. Approximately 50 of these banks are still operating the plans with varying degrees of success while some of the operations have been discontinued.

A number of banks got off on the wrong foot—as is often the case with a new idea. They bought more equipment than they needed —they spread their credit cards broadcast, without proper check on customers. They failed to recognize that this service is one of merchandising and salesmanship and their ventures died of dry rot. *It needs a full time promotional job.*

Some of the banks that dropped out went haywire on promotion expense, and let their expense ratios get out of line. Some too had the wrong type of personnel handling their plan.

The recent entry in 1958 of the Bank of America and The Chase Manhattan Bank into the Charge Account program has stirred up renewed interest in this medium of lending. Another factor contributing to the renewed interest is the additional profit potential added to the plan by most charge account bankers in the last few years when they applied the revolving credit idea to their receivables. Now, in addition to the discount received from the merchant in purchasing the receivable, interest is collected monthly from all debtors who do not pay their charges within 30 days at the rate of one per cent to one and one-half per cent per month for the period until the receivable is paid.

Under the charge account plan, the bank first makes an arrangement with selected stores to discount all charged bills where the buyer shows a bank charge account *credit card*. Under this system the purchasers of goods or services are restricted in making purchases to the stores with which the bank has made prior arrangements.

The bank discounts these receivables from the store and collects directly from the charge account customer to whom it has issued a credit card. The arrangement between the bank and the store sometimes provides that the buyer of goods or services can pay off his debt within two or three months without paying any interest at all. The discount and the acquisition cost paid to the bank by the store covers the expenses involved in providing this service. When the account is paid off over a period of months, one per cent per month or an agreed-upon interest rate is charged. The charge account plan is a modification of the purchase of store receivables by a bank.

The key to the plan is the drawing of the sales slip. It is worded in the form of a draft, payable to the merchant who endorses it "without recourse" to the bank, which holds it for collection as a holder in due course. In some cases it may be a non-negotiable instrument. Some telephone orders not signed at all.

If your bank is interested in entering the Bank Charge Account Plan, I believe the first step would be to survey the potentials of the plan in your trading area. Experience indicates that you might expect one account from each six or seven people in your community. It will probably take two to three years to develop this potential. This plan will operate in nearly any size community but a sizeable volume is necessary to make it profitable.

It is my belief that the success of any of these new plans depends largely on the people who run them. In this plan I think we need a department store trained man to head the operations. Due to the longer hours and the different techniques employed, this plan is more of a personnel and operations problem than an instalment credit problem. A capable trained department store man would also inspire confidence in your merchants entering the plan who otherwise might be afraid that the credit judgment may be so tough as to be non-competitive.

One of the biggest problems you will have to face is the liberalization of the outstandings and the acceptance of new ratios of delinquency. They will vary widely in various locations. Higher delinquencies must be accepted if you want to exploit the possibilities of such a plan. Considerable personnel is required and as a guide, department stores have found they need about one person for each 1,000 accounts. A considerable investment in machines and equipment is necessary as well as substantial costs for printing and supplies.

You will readily see that a substantial sum is necessary to inaugurate this due to the high costs of setting up the plan as well as the need for constant promotion and advertising. It is usually not too hard a job to sell the merchants —your dealers under the plan. Your problem is to keep them sold and more important to keep them selling your way. The average merchant will be interested in you and your plan only to the extent that it produces a profit for him. Some merchants who will be forced into the plan by competition will take the benefits but will make no effort to promote it. Many think they can carry a few small accounts for nothing. The chiseler dealer will attempt to add the discount cost of the plan to the price of the merchandise. You need their active cooperation and it is not a one-time selling proposition. The plan requires a regular and continuous program of promotion both for the dealers and for the credit card customers.

To date, very few, if any, of the charge plans have attracted the principal "prestige" stores in the areas they serve. These stores prefer to handle their own credit programs and say they can do it cheaper than the banks, who must charge about 6 per cent with rebates for volume of transactions. A good many of the smaller stores which have signed up are now complaining that they cannot afford it. Some will not honor the credit cards on sale days and others hold out the better deals to handle themselves or offer a discount for cash.

In addition to merchant resistance and indifference and lack of volume, the charge plans are plagued by the small size of sales tickets. Each ticket, regardless of size, must be processed and it is difficult to profit from an average sales slip in the neighborhood of $10.00 which has been the situation faced by many of the banks.

As mentioned earlier, Chase Manhattan Bank ended its first year under the program with a loss, but with a hopeful attitude for this year. The Chase plan has 360,000 cardholders and 5,300 merchants who operate 6,000 stores. Average service charge was 3.53 per cent during the fourth quarter of 1959, with an average sales transaction of $23.00. Gross sales handled under the plan were $11 million for the year.

Bank of America, with the largest plan, covers 27,000 stores and two million cardholders.

Plan Abandoned

Another example is the action of City Bank & Trust Company, Milwaukee. After a six-year trial, their plan was abandoned March 31, 1960. The reason—not enough volume to make it profitable. Only 84 stores were using it and the bank figured it needed $1 million volume just to break even. At the peak of its program this bank was running a volume of $2 million with 200 participating stores. But the small ticket items were too numerous and too many merchants claimed they could not afford the service charges.

Another decision to be made is to formulate a policy on how to issue your credit cards for the plan.

Before you can decide on presenting the plan to the dealers, you must decide which of two basic plans you will follow. The first method, I will call the calculated risk method. This method entails the flooding of your area with credit cards without prior checking of the individual credit risk. This, naturally, results in a higher loss ratio during the sift-out period, and also results in a smaller percentage of users of your service per thousand cards issued. This method has several disadvantages:

(1) It is difficult to sell the average banker or bank director on indiscriminate granting of credit. This fact alone may be the deciding factor in your bank.

(2) The setting up of files and records for large numbers of accounts that will never use your service is costly.

(3) A large amount of business coming in at the very beginning of your operation can have serious repercussions, because your staff will not be seasoned and your dealers not properly trained. This may result in poor public relations and a much more difficult job of re-selling your customers later.

The advantages of this method are that you do not need to spend a lot of money on advertising and if you are lucky, your plan will be on a paying basis sooner.

The second method I will call the cautious approach, for want of a better name. This method calls for pre-checking of each credit risk before the credit cards are issued, and issuing cards only to those customers who apply for them. This approach results in a lower loss ratio and a higher percentage of use by the customers. Its disadvantages are:

(a) A high cost for advertising to create customers.

(b) A much slower building of volume with a resultant longer period of operating at a loss.

Its advantages are:

(1) It is much easier to sell to your Board of Directors.

(2) The high rate of use by customers results in less internal expense.

(3) You have a better chance of doing a good public relations job by growing with your business.

Both plans as well as modifications of each plan have been tried and proved successful. It must be your decision as to how to approach the problem.

Let's sum up some of the advantages and disadvantages—

Advantages to Merchants

"Enables them to compete with any charge system. Allows them to go after business, knowing all credit worries are being handled by us. Gives them immediate operating capital."

Summary

1. Increased number of potential customers.
2. Increased sales. Increased net profits.
3. Conversion of charge accounts to cash.
4. Freedom from Credit Department details and its costs.
5. No credit losses.
6. Releases capital tied up in accounts reserve.
7. Advertising—Window decal or emblem.
8. Becomes part of an advertising pool.

Disadvantages to Merchants

1. Cost of banking service.
2. Loss of store traffic.
3. Some dislike letting bank know all their business.
4. Marginal credit customers are refused credit by bank standards.
5. Lack of prestige stores in plan.
6. Hours of Banks vs. Merchants.
7. Low Floor Release limits.

Advantages to Customers

1. Convenience of one statement.
2. Availability of many smaller shops with personalized service.
3. Expand to more suburban shopping. No need to shop downtown.
4. Convenience of shopping without cash.
5. Longer terms (through Revolving Credit if offered).
6. Credit Card holders can watch for and take advantage of bargain days.
7. A Charge Account gives the individual prestige and establishes a bank credit.

Disadvantages to Customers

1. Loss of privacy between merchant and customer.
2. Reluctance of store employees to write charge slips.
3. Floor limit. $10.00 to $50.00 release limits—code No. 5.
4. Lack of prestige stores.

Advantages to Banks

1. Collateral benefits and dollar profit.

2. Good will and publicity. Help assume leadership in community in retail banking.

3. Some instalment benefits, home improvement–automobile and other loans.

4. New depositors and business loans to merchants.

5. Credit card holders a source of new business for other banking services.

Disadvantages to Banks

1. Cost too great to promote.

2. Not enough demand by merchants.

3. Lack of cooperation by merchants.

4. Personnel could be employed more profitably elsewhere.

5. Possible loss of large depositors when bank enters charge-plan in competition.

6. Cost of original installation. Up to $100,000.00 with advertising.

7. Difficulty in attracting prestige stores.

8. In the five years prior to 1959, 75 plans started–22 of these since closed for various reasons.

9. Cannot quit–would offend the many merchants and many of their customers, and our customers.

10. Requires large volume to be profitable.

11. Sales unit is too small for profit.

12. Hours required to be open to service business–same hours as retail stores.

Charge Plans Oversold

Actually, some bankers agree that the charge plans have been oversold a bit in advertising. The result has been too much popularity with the public and not enough with the merchants. Some people even got the idea banks were practically giving away services, when in reality it was the merchants who were "paying the freight."

Charge account or credit card banking has generated more controversy than its partner, revolving credit. It still is viewed suspiciously by many bankers, even though the entrance of the two big banks mentioned earlier gave it a new respectability.

Overall, there probably are in the neighborhood of 100 banks offering charge account plans. But quite a number have dropped the program after various trial periods–mostly because of merchant resistance or indifference. And several others have admitted privately that they might get out if they could do so gracefully without offending too many merchants.

The lure of high profits has enticed banks to go into the credit card business. One survey, taken in 1958, showed nine banks earning more than 10 per cent after all expenses. Some claims have even gone as high as 15 to 50 per cent profit on funds actually advanced.

Profits Unusual

But in the face of these claims, the evidence is piling up that such profits are rather unusual. Most bankers agree that with proper handling and sufficient volume the charge plan can become profitable, but not as quickly as revolving credit. One problem is that the former appeals to the mass market, with the resultant risk of losses, while the latter is more selective and bears less risk.

But I think charge account banking is here to stay. It creates new commercial accounts and helps old accounts grow. It developes new customers. The new customers soon begin using many other services the bank offers. It is in line with the shift in American consumers buying impulses at the current time–away from durables into soft goods and shoes for the babies. And charge account banking stands on its own feet. It can be a profitable and effective bank tool for serving the community.

To the bank which is well equipped and ready to do a constant promotion and "missionary" job among member merchants, a charge account plan affords a chance to build closer relationships with merchants, to help merchants build up their businesses, and eventually to sell additional bank services to him.

But unless a bank is prepared to do these things and regards it as advantageous to do so, the charge account plan will be a disadvantage.

Knowledge Required

To install and operate a charge account plan required a certain knowledge and certain operating skills not possessed by all bank people. If your bank does not have people with the required skills or your bank is not willing to acquire such people, then you would be asking for trouble to start a charge account plan.

The bank which already has a considerable amount of consumer credit experience has an advantage in considering a charge account plan.

For a successful operation, a bank must acquire a new kind of skill that is a combination of merchandising, continuing public relations, department stores credit and collection operation, and a fuller understanding of consumer credit and motivation.

Our bank does not presently offer the charge account plan, but does offer check credit which we call "Borrow-By-Check." Both of these plans are sound and can be made to work. But they are not for every bank. It will take several years to determine definitely their part in banking.

Under present day tight money conditions, I would suggest deferral of any additional entries into these fields. It will be interesting to see how they develop over the years. Changes will be made as experience dictates. We are in an interesting period of banking–one which challenges each and every one of us to our best efforts. I hope we will all use our imagination–our most careful judgment and our courage to guide our individual banks to even greater heights of prosperity and service to our community. ★ ★ ★

What a Hospital Trustee Expects From the Credit Manager

GEORGE C. MELVILLE
Brockton Hospital
Brockton, Massachusetts

THE RESPONSIBILITIES I have as a hospital trustee are similar to the responsibilities of other hospital trustees; therefore, the things I have to say on this subject may not completely apply to your particular situation, but, nevertheless may be of help to you in some areas of the problem with which you are confronted.

I think we should determine generally what it is that a hospital trustee is and does. A hospital trustee is chosen for his job because he represents a certain segment of the community which the hospital serves. A trustee is also chosen as a representative of a trade, profession or industry, and also for his depth of experience within these areas. In other words, a hospital tries to have its Board of Trustees representative of a cross section of the community. The more varied the backgrounds of the members, the stronger is the character of the board. The Board of Trustees is like a Board of Directors in a corporation. A Board of Directors is, as its name implies, a Board made up of the men who direct the policies and activities of a company. The same thing is true of hospitals' Board of Trustees. Unlike the old days, when a trustee was chosen for his ability to donate funds, the trustee today must be able to contribute experience toward the better running of his hospital. The true strength of the institution will rest on those trustees who can reflect the spirit of the community, who will take the time and make the effort necessary to familiarize themselves with the institution and its problems, and who will exercise the same energy and acumen in solving its problems that they would devote to their own business or profession.

The Board of Trustees of the hospital is responsible for the formulation of policies governing its administration, the appointment of a fully qualified Administrator with authority to act as executive agent of the board, the appointment with due care and diligence of the medical staff and for the making and enforcement of such regulations as are necessary to ensure a high standard of professional care to the patients. Secondary only to the latter, however, the most important area in which a hospital trustee is involved is the financial area. Approximately 40 per cent of all decisions made by trustees is of a financial nature. They are involved in the relationship of funds for extended capitalization and they are also primarily concerned with the proper use of working capital so that the hospital remains solvent. I think you could say, generally, that a trustee has to be part treasurer in nature because the majority of his decisions are going to affect the financial policies of the hospital.

What does a hospital trustee expect from the credit manager of his hospital? Any trustee feels that his hospital's credit manager is responsible for the collection of amounts owed by patients and such collections to be realized within a reasonable length of time so that the hospital will remain solvent.

Another thing that a trustee generally expects is that his hospital's credit manager will accomplish this task in such a way that he or she will not make the community unsympathetic toward the hospital. In other words, the credit manager has to be public relations or human relations conscious.

Why is this so important? First, a hospital must remain solvent simply because a hospital is really a business and, like all businesses, it has to pay its bills on time and it has to have enough money to meet the payroll and to be able to buy equipment and supplies for future demands.

A number of years ago, hospitals were in the enviable position of being the recipient of large endowments. As you know, endowments today, generally are diminishing in quantity and amounts and hospitals are finding it necessary to be more and more self-sufficient. There is no longer such a wide margin for error. We do not have people able to provide funds for hospitals when they go too deeply in the red. It is up to the hospital to take care of themselves and the only way they are able to do this is by setting realistic charges for services and making sure that they collect the amounts due. These rates are based on the premise that by being fully repaid by paying patients for the cost of services, plus the income from other sources, the hospital will be provided with enough working capital to operate in the black. If we do not get the amount of money that we need, just like any business, we will go bankrupt. So, Credit Managers, your task is indeed a most important one.

Another thing that is expected of a credit manager, the accomplishment of this task without alienating the community is also an extremely important one. Some people might feel that, from a financial standpoint, how a community feels about a hospital is unimportant. Probably, everyone agrees that a hospital, by its very nature, should

be sympathetic towards its community and its patients, but not necessarily from a financial standpoint. However, we come back to reality when we say that it is necessary because hospitals are like businesses in that they must more and more strive to be self-sufficient and can no longer depend on large endowments. If a business has poor relationships with its community and it expects to sell its products and service to that community, it must improve its relationship or people will go elsewhere. The same is true of hospitals. Perhaps the hospital has a monopoly in that the patient will wish to go to the hospital in which his doctor is staffed. This is a forceful reason for the patient to go to the hospital regardless of whether it has good community relations or not, but there *is* the possibility that the patient will go anywhere.

In addition to that, there is also the problem that the trustee has when it comes time for him to raise funds for the hospital's new wing, etc. A hospital that does not have the sympathy and high regard of the community is not going to receive liberal donations.

It is extremely important that the credit problem be handled sensitively with the patients and their families because these people are in a highly emotional state at the time of hospitalization and the problem is much more acute under these circumstances that they would be under ordinary problems of business. The important thing to always keep in mind is the human relations aspect of your work.

I, as a trustee, am not able to tell you how to do your job. You people are "pros" and between you and your Administrator *you* have the responsibility of developing the proper techniques of collection procedure. Because of my personal interest in this matter, I have reviewed the collection procedure developed by our hospital's Credit Manager, Mrs. Ethyl Drolet, and I can readily understand why we have been generally successful in this area and at the same time, I believe, enjoy good community relations. Our collections amount to approximately 96 per cent of our net accrued charges which we consider most satisfactory for our type of hospital and the community it serves.

Trustees, however, do have the responsibility of determining basic credit policy to be carried out by the administrator and Credit Manager.

After careful consideration our board has determined certain areas of basic policy as follows:

1. In the interests of good community relations, do not require a deposit in advance of hospitalization.

2. Patients having outstanding accounts are not to be re-admitted as private patients (semi-private or private accommodations) unless they are making an effort to reduce their outstanding account.

3. The Executive Committee of the board must be informed of and give approval to legal action regarding patients' accounts.

4. Only as a last resort are problem accounts to be turned over to a collection agency.

5. Past-due accounts are not to be charged interest.

6. Authority is delegated to the Administrator to write-off to free service such accounts which in his judgment have been incurred by medically indigent patients.

Hospitals today must, more and more, endeavor to stand on their own two feet just like any other business organization, and to do this they must be run in a businesslike fashion. They must be able to collect their accounts receivable in order to remain solvent and at the same time they must do this in such a fashion that they will have the sympathy of the community. Credit Managers have a vital and delicate responsibility and are very important people to the trustees and administrators of hospitals. ★★★

Communications Feedback . . .

Sir:
I recommend that all persons responsible for credit and collection handling read this book (Legal Aspects of Consumer Credits and Collections). They acquire a basic understanding of contract law necessary to the proper operation of any credit office.
W. E. Spencer,
District Credit Manager
Montgomery Ward & Company
La Junta, Colorado

Sir:
The January Credit World was the hit of the NAM Conference. Will fill you in when I get back.
Earle E. Kuehner,
Public Relations Director
South Central Division
National Association of Manufacturers
St. Louis, Missouri

Sir:
We have found your Hospital Credit and Collection Manual an excellent book, and it has been of great help to us. Therefore we ask that you forward to us by parcel post four more copies.
E. S. Burroughs, Comptroller
Morton F. Plant Hospital
Clearwater, Florida

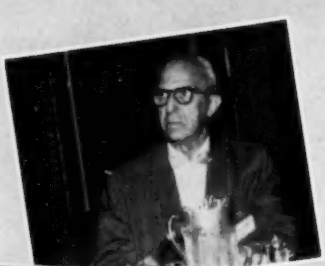
Sir:
Just a note to tell you that I appreciate your articles in the Credit World regarding consumer credit. You have the capacity of taking a dull subject and making it interesting.
Harland C. Bush, President
Credit Bureau of Geneva, Inc.
Geneva, New York

Sir:
Apparently my April 1960 copy of The Credit World has gone astray as I have not received it. Would there be a chance of getting another copy?
Lorene Shaw, Accounting Division
Nemo Foundations
Toronto, Ontario
Ed: Always happy to send another copy!

Sir:
Have been reading your editorial "Which Way Are We Going?" We are overdue in presenting a national education program directed to the American consumer. We want to make it available to our Wichita consumers as soon as possible. Hope the "task force" you proposed is already working hard and constructively on this important program.
Ralph B. Kearns, Manager
Credit Bureau of Wichita
Wichita, Kansas

Sir:
We wish to thank you for sending us the dozen copies of The Credit World. Mr. Phillips' article is very useful to us in telling the story of success and progress National American has made.
Graydon W. Smith, President
Northwest American Corporation
Boise, Idaho

46th International Consumer Credit Conference Well Attended



MORE THAN 1,000 delegates, guests and friends attended the annual conference of the National Retail Credit Association, Credit Women's Breakfast Clubs of North America and the Associated Credit Bureaus of America held at the Palmer House, Chicago, Illinois, June 5-9, 1960.

A pictorial treatment of some of the sessions gives visual evidence of the success of this joint consumer credit conference sponsored by the three Associations.

In 1961, the International Consumer Credit Conference gathering is scheduled for the Americana Hotel, Miami Beach, Florida. The Credit World will soon announce this outstanding event.

EXHIBITORS, INTERNATIONAL C

Chicago, Illinois,

NSUMER CREDIT CONFERENCE
une 5-9, 1960

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From the President's Pen

A Changing Image of the Credit Executive

EACH YEAR the economy of our country grows greater and more complex, especially in the consumer credit field. The stability of the consumer credit portion of this economy is the responsibility of the credit granter.

Our own National Retail Credit Association also grows in importance and in stature with our economy.

As members of the National Retail Credit Association, we realize the value of sharing ideas and working together for the betterment of the consumer credit industry. As credit granters we are keenly aware of our responsibility to maintain the stability of the consumer credit industry. Therefore we are continually preparing ourselves to meet the great challenges that its rapid growth creates.

So it is with deep humility and heartfelt appreciation that I undertake, as your president, to work with you in meeting these challenges. I shall be grateful for all your ideas and suggestions and for all that your knowledge and talents will contribute.

God willing, I shall endeavor to be worthy of the honor you have bestowed upon me. Together, through the National Retail Credit Association, we can bring honor and deserved glory to our profession.

Earle A. Hirmaier

PRESIDENT
National Retail Credit Association

N.R.C.A. Field Lecturers

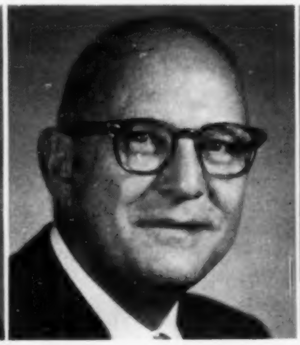
A well rounded and complete field educational program

THE NATIONAL RETAIL CREDIT ASSOCIATION proudly presents its competent team of field instructors. Shown below, left to right, are, Miss Frances M. Hernan, the instructor of the course, "Credit and Collection Procedure for Hospital and Medical Personnel;" Waldo J. Marra, "Streamlined Letters Writing School;" Sterling S. Speake, "Retail Credit Fundamentals;" and S. H. Womack, "Customer Relations," or the human relations approach to public relations. All courses are designed to demonstrate the latest successful procedures.

The courses are all on the same basis and run for two nights, three hours each night, usually from 7:00 P.M. to 10:00 P.M. Itineraries for the remainder of 1960 and also 1961 are now being completed.

We earnestly hope that those interested will write to the National Office for complete details. If possible please give us first, second and third choices of dates. This will be helpful to the instructors in planning their appearances.

Write to Director of Education, National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri.

Frances M. Hernan

MISS FRANCES M. HERNAN served 25 years at the Massachusetts General Hospital, Boston, as Head Cashier, Chief Accountant and Credit Manager. Now retired she is a Hospital and Professional Credit and Collection Consultant. She was first President of the Hospital Credit Association of New England; First President, Massachusetts Chapter, American Association of Hospital Accountants: first Woman President, Retail Credit Granters of New England and Eastern Canada: first hospital person to be elected President of the Retail Credit Association of Greater Boston. Miss Hernan is a member of the National Retail Credit Association, Credit Women's Breakfast Club of North America, and the Credit Bureau of Greater Boston. Because of Miss Hernan's practical background and experience, the National Retail Credit Association has selected her to present this Course.

Waldo J. Marra

WALDO J. MARRA is Correspondence Consultant for many of America's leading firms and institutions. He spent several years in teaching at New York University, University of California at Berkeley, and Stanford University in California. He was also Correspondence Director for Bank of America NT&SA for many years, and later was President of Waldo J. Marra and Associates, Correspondence Counselors for Standard Oil Company of California and many other firms. He is the author of numerous pamphlets and articles on business letter writing and of "How to Put Words to Work." Mr. Marra teaches the importance of streamlining business letters, teaches modern dictation techniques, tips on how to plan letters that sell and how to open letters with a "smile." Mr. Marra is known as a forceful and persuasive speaker as well as an outstanding letter writing authority.

Sterling S. Speake

STERLING S. SPEAKE received his Bachelor of Business Administration degree from the University of Texas in 1937. From 1937 to 1942 he was associated with the Retail Merchants Association, Austin, Texas. For five years during World War II, he was an Air Force Administrative Officer. From 1947 to 1953 he was on the staff of the University of Texas, Division of Extension, as a Retail Credit Specialist. Since February 1, 1953, he has conducted several hundred credit schools for the National Retail Credit Association throughout the United States and Canada with a total enrollment of over 25,000. Mr. Speake teaches modern methods of interviewing credit customers, investigating applicants, evaluating the credit risk, how to say "Yes" and how to say "No," how to collect, and skip tracing. He offers suggestions and helps students solve their special credit and collection problems.

S. H. Womack

S. H. WOMACK is a training consultant in human and public relations and personnel management. He spent 15 years in the field of distribution on an executive level, and is thoroughly familiar with problems in the fields of credit, personnel, human and customer relations. He spent six years as an instructor on the staff of the University of Texas, Extension Division. He has conducted over 300 classes in some 200 cities in the United States and Canada, training approximately 20,000 people. Since the course has been under the sponsorship of National Retail Credit Association, many laudatory comments have been received concerning the instructor, presentation and course content. This course is drawing enrollments from many different fields and is enthusiastically received everywhere. Retail credit associations and retail credit bureaus receive many favorable comments from their community about this course.

People and Events

Why Belong to Anything?

Just why do we have trade associations such as your local Credit Granters' Association, Credit Granters' Association of Canada, National Retail Credit Association, etc.? What are they set up to do? One person summed it up very well. His comment on a trade association was that it is the philosophy of "people working together."

Business has found the collective intelligence of a group is greater than the intelligence of any one of the individuals. Unity of purpose and action will carry an industry farther than almost any amount of individual effort.

I would no more want to be in an industry without a trade association than in a community without churches. Just as churches set the moral environment in which to live and raise a family, so do trade associations set the ethical and economic environment in which to run a business.

There is another reason for the existence and activity of trade associations. They are a part of a great experience in free enterprise, a bulkwark against government regulations and dictatorship, a protector of our democratic system; to preserve that freedom and enterprise we must work together.

Trade association activity, then, considered in its broadest aspects, makes for more intelligent production, distribution and selling, and brings us closer to our goal of more things for more people.—*Creditwise*, Credit Granters' Association of Canada.

Charlotte Credit Clinic

The Clinic sponsored by the Retail Credit Association, the Credit Women's Breakfast Clubs of North America, and the Credit Bureau of Charlotte, will be held at the Hotel Charlotte, Charlotte, North Carolina, September 13-14, 1960.

Appalachian Credit Conference

The Fifth Annual Appalachian Credit Conference will be held October 26, 1960, at the General Shelby Hotel, Bristol, Virginia-Tennessee. William H. Blake, Executive Vice President, National Retail Credit Association, will be the keynote speaker.

Exhibitors at the Chicago Conference

On pages 16-17 of this issue of The Credit World are pictures of the exhibitors taken at the Chicago Conference. They are:

1. Remington Rand, New York, New York.
2. Associated Credit Bureaus, Fifth District, Detroit, Michigan.
3. John Hancock Mutual Life Insurance Company, Boston, Massachusetts.
4. Maher Records Binding Company, Chicago, Illinois.
5. Hilton Carte Blanche, Los Angeles, California.
6. The National Cash Register Company, Dayton, Ohio.
7. Rol Dex Division, Watson Manufacturing Company, Jamestown, New York.
8. Recordak Corporation, New York, New York.
9. Encyclopaedia Britannica, Chicago, Illinois.
10. National Retail Credit Association, St. Louis, Missouri.
11. Americana Hotel, Miami Beach, Florida.
12. Credit Bureau Reports, New York, New York.

New Officers and Directors of CMD

David Bollman, Joseph Horne Company, Pittsburgh, Pennsylvania, has been elected chairman of the Credit Management Division of the National Retail Merchants Association. Other officers include: Dean Ashby, The Fair, Fort Worth, Texas, first vice chairman; Francis J. Lukes, Ed. Schuster & Company, Milwaukee, Wisconsin, second vice chairman; Ray Johnson, Boston Store, Ft. Dodge, Iowa, third vice chairman; and Robert W. Myers, Myers Whittier, Whittier, California. Directors are: Ola Fayard, Maison Blanche, New Orleans, Louisiana; Jack Logan, Roberts Store, Portland, Oregon; Walter Brown, Hudson-Belk Company, Raleigh, North Carolina; Guenter Borg, Gimbel Brothers, Philadelphia, Pennsylvania; Ray Johnson, Boston Store, Fort Dodge, Iowa; Clare L. Prowse, Demery's, Detroit, Michigan; Bernice Sharples, Buck's, Wichita, Kansas; William W. Vance, The Froug Company, Tulsa, Oklahoma; William H. Sasser, Winkelman Brothers Company, Detroit, Michigan; George Landis, Carson Pirie Scott, Chicago, Illinois; Mrs. Georgia Marvin, John G. Myers Company, Albany, New York; and Don Boldt, Gold & Company, Lincoln, Nebraska.

Sterling S. Speake Credit Schools

Credit schools will be conducted by Mr. Speake in the following cities during the month of August:

Nashville, Tennessee — **Scranton, Pennsylvania**
Mt. Clemens, Michigan — **Geneva, New York**
Pontiac, Michigan — **Schenectady, New York**
Providence, Rhode Island

If your city is interested in having Mr. Speake conduct a professional streamlined credit school in your city, please write for details and open dates.

Wage-Hour Number One Bill

The fate of the retail-service exemption is in the hands of the Senate. The House-passed bill does the following: 1. Increases the Federal minimum for presently covered employees to \$1.15. 2. Extends coverage of the Wage-Hour Law to retailers having five stores in two or more states. 3. Requires covered retailers to pay a minimum of \$1.00 per hour but does not make them subject to overtime requirements of the law. 4. Leaves intact the exemption for service industries such as hotel, restaurants, laundries, etc.

Senate Bill 3758, to be considered: 1. Extends coverage to all retail enterprises whose annual volume is \$1 million or more. The definition of enterprise is broad and indefinite and may cover retailers with less than \$1 million. 2. Coverage is also extended to hotels, restaurants, etc., if their annual volume is in excess of \$1 million. 3. Requires retail-service industries to pay a minimum of \$1 the first year; \$1.05 the second; \$1.15 the third; and \$1.25 thereafter. 4. Retail-service employers are not subject to overtime provisions the first year but must pay overtime for over 44 hours the second year; 42 hours the third year and thereafter overtime for a work week in excess of 40 hours.

E. L. Goodman Wins 1960 Scott Award

EDWARD L. GOODMAN, Credit Sales Manager and Secretary, Burger-Phillips Company, Birmingham, Alabama, was named winner of the $500.00 Scott Award at the 46th Annual International Consumer Credit Conference at Chicago, June 7, 1960. The presentation was made by David K. Blair, President of National Retail Credit Association and winner of the 1959 Scott Award.

In making the presentation, Mr. Blair pointed out that the Scott Award is made annually to the retail credit executive who makes the most outstanding contribution to the field of retail credit administration.

The award is a cash prize of $500.00 given by George A. Scott, President and General Manager, Walker-Scott Company, San Diego, California, each year for ten years beginning with the year 1956. Original ideas and procedures, together with evidence of adoption and results, count heavily in the determination of the award. Mr. Scott's objective in making this award is to impress upon all retail credit executives the fact that they have an important place in our total economy and to bring to light outstanding work being done as a stimulant and inspiration to others.

Mr. Goodman earned the award on the basis of his distinctive contributions to community affairs in Birmingham, Alabama; his long and comprehensive service to credit associations on the local, district and national levels, and on his credit sales promoting contributions over the past quarter century at Burger-Phillips Company in several administrative capacities.

The following is written by J. E. Fenn, General Manager, Merchants Credit Association, Credit Bureau of Birmingham summing up Mr. Goodman's outstanding contributions as follows: "In addition to the various activities in which E. L. Goodman has been engaged, both with civic organizations and various credit organizations, and the preparation of many articles for different publications, there are many other items that should be told.

"He has been quite active for a number of years in credit conferences, locally and on the District level and also the Annual International Consumer Credit Conference. At the International Conference in San Francisco in 1954 he was co-chairman of the Department Store, Apparel and Shoe Store Group Meeting. At the 1955 International Credit Conference in Louisville he was chairman of the same group.

"Also at the 1955 International Conference he was joint winner of a membership award and was granted a plaque in recognition of his outstanding membership performance in the National Retail Credit Association. Other activities at the International Conference included serving as panel member at the Miami Conference in June, 1957.

"He was chairman of the Department Store Group at the Asheville, North Carolina, District Conference and he presided at the General Session of the Knoxville District Conference in 1958.

"For a number of years he has taken an active interest in the affairs of the Birmingham Associated Retail Credit Managers and has participated frequently in the programs, having often discussed retail credit fundamentals and procedures. He has always been ready and willing to help other retail credit managers in finding a solution to their daily problems and has helped various individuals to rehabilitate their credit reputation.

"He has constantly advocated the extension of sound credit, properly controlled, with extensive promotional programs. He has taken an active part in each National Retail Credit Week, having served as local chairman and participated in this program in many ways from year to year.

"During the past year he has headed up a committee promoting the publication of an advertisement each week in local newspapers to foster the idea of credit and the benefits available from the wise use of credit and the prompt payment of obligations.

"There are many other activities in which he has engaged which are far too numerous to outline here."

The Scott Award now has been presented five years, and under the terms set by Mr. Scott it will be given for five more years. Members of the National Retail Credit Association engaged in retail credit work are eligible.

The following is taken from the minutes of the National Retail Credit Association Board of Directors' Meeting at Dallas, 1959: "The Scott Award entries were discussed. It was recommended and approved that in the future each district submit one entry for the Scott Award. If any district does not do so, the National Office is to make an effort to have an entry submitted. It was further recommended that Local Associations should submit entries for district consideration. Each entry is to consist of not more than 4,000 words, submitted in simple form, on 8½ x 11 inch paper. Elaborate bindings are to be discouraged. The recommendation of District 10 that the Scott Award nominees from the respective districts be given certificates and publicity was approved."

Any member interested in entering the Scott Award contest and wishing further details is cordially invited to write to the National Office.

David K. Blair, left, President, National Retail Credit Association, presents E. L. Goodman with check for $500.00, the winner of the 1960 Scott Award.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

Credit Card Abuses: Two articles appearing in the CREDIT WORLD (January 1960, p. 12 and May 1960, p. 3) on the subject of credit card abuses seem most timely and important to all areas of consumer credit where credit cards of various types are issued. First of all, these articles show the tremendous size of the credit card field from the standpoint of the mere number of credit cards issued and outstanding. No doubt anyone not well versed on the subject will be surprised at the astronomical figure indicated of about 56,000,000 cards. On the other hand, the dollar amount of credit extended in the several categories or industry segments involving credit cards does not appear to be readily available, at least not by category, except that the Federal Reserve Board in one of its monthly releases on consumer credit carries a footnote in connection with the dollar volume of "Noninstalment Credit" stating: "Includes amounts outstanding on service station and miscellaneous credit card accounts and home heating oil accounts, which totaled $417 million on May 31, 1960."

It is further indicated in The CREDIT WORLD articles alluded to that data accumulated in recent surveys shows there has been a large increase of stolen credit cards, as well as an increase in the misuse of cards by persons to whom issued, as for instance, the use of expired or cancelled cards, exceeding authorized limits, permitting another person to use card, etc. It is also indicated that a survey of legal remedies shows a possible trend towards enactment of special statutes (in one case limited to fraudulent use of stolen or cancelled cards in the petroleum industry only); and other statutory enactments or proposed acts in lieu of, or in addition to, existing statutes against fraud or false pretenses. Little wonder that the May article comments: "Control over abuse . . . is an area in which there is vast room for improvement," and, even more significantly, it is stated: "losses resulting from sheer credit card abuse will continue to mount if permitted to go unchecked."

Losses, it seems to me, will certainly continue to mount, in the absence of heroic remedies, for two principal reasons: (1) the increase in the total number of cards issued and outstanding as a result of population and industry growth, thus increasing the likelihood of abuse simply because there are more and more cards in circulation; and (2) the increase in the crime index at a rate greater than growth of population, which means more crime per person, including, of course, theft and other abuse of credit cards. I would, therefore, suggest the importance of examining briefly the general crime picture in America, and that will be the purpose of the remaining portion of this article.

The crime problem confronting the United States today, and particularly the business man, is indicated by the crime statistics compiled by the FBI, and released quarterly and annually under the title, "Uniform Crime Reports," and which are based on reports from cooperating local law enforcement agencies that "cover nearly the entire population of the Nation," as stated by the FBI. Where gaps exist they are filled in by an estimating procedure. In brief, the picture is one of crime growth far outstripping population growth, especially in the younger age groups.

While the Crime Index is based on a count of seven major crime categories, indicated below, other offenses, such as theft or fraudulent use of credit cards, shoplifting, check fraud, obtaining money or property by false pretenses, etc., follow the same pattern or trend. Hence, these FBI crime statistics should be of particular interest and significance in a field such as credit card abuse where the very ease of criminal activity may be an important factor, particularly in the case of the youthful or occasional offender.

The following tabulation taken from the FBI's "Uniform Crime Reports" for 1958, the last year for which complete figures have been published, shows the United States crime growth for 1958 over 1957:

Crime Classification	*Number of Offenses 1957*	*1958*	*Percent Increase*
Murder	8,027	8,182	1.9
Forcible rape	12,886	14,561	13.0
Robbery	66,843	75,347	12.7
Aggravated assault	110,672	113,530	2.6
Burglary	603,707	679,787	12.6
Larceny over $50	354,972	391,550	10.3
Auto theft	265,178	270,965	2.2
Total	1,422,285	1,553,922	9.3

Further, preliminary figures for 1959, recently released by the FBI, again show sharp increases over 1958, while for the first quarter of 1960 it is stated by the FBI that "An acceleration of criminal activity in each category raised the serious crime total seven per cent above the 1959 period . . . "

In the 1958 report the FBI noted that the Crime Index showed that major crime has increased approximately five times faster than population. That report also indicates that arrests of persons under 18 have increased about 10 per cent per year, a far greater increase than the growth of this age group in the population. The report states further: "Although youths under 18 represented only 12.1 per cent of all persons arrested, they were the subjects of 64.1 per cent of the arrests for auto theft."

The matters indicated in the paragraph immediately above would seem to have a direct bearing on the statement in the January CREDIT WORLD article, namely, that credit cards stolen from auto glove compartments account for most stolen cards. However, the full potential of that statement can perhaps only be realized by considering such factors as growth of population and increase in numbers of cars on the road in the light of the crime situation. First, there is the record of stolen autos, and the upward trend, indicated above; second, there is the record of thefts associated with autos set out immediately below, taken from the same 1958 volume of "Uniform Crime Reports":

Larceny—theft By Type	*Number of Offenses 1957*	*1958*
Pocket-picking	7,177	7,056
Purse-snatching	11,812	12,611
Shoplifting	35,556	41,924

The Psychology of Power

JOE JACOBS
Credit Supervisor, Boston, Store
Columbus, Ohio

FOR SEVERAL YEARS I have been exploring and investigating a theory which I am sure is of great importance to every credit department and every credit bureau in our country. I am fully aware that this covers a great area and that this is certainly a broad statement. Some credit departments and some credit bureaus will find that the "shoe fits" better than others.

The theory is in no way meant to be an indictment of credit granters or purveyors of credit information. It is hoped that by understanding some basic factors in human behavior we can improve the quality of the services rendered in our fields.

In my travels around the country I have made many observations in both credit departments and credit bureaus and these have caused me to advance this theory.

First, let us look at the Credit Department. It is a known fact that many of the employees of this department wield enormous authority, by virtue of their positions themselves. That is, they are the possessors of confidential information, often about just about everyone. They must know a great deal about even the persons in the organization where they are working. Then, let us look at the functioning of the job itself. The employee can grant or withhold credit. He can send certain letters to the debtor or he can tell the debtor to pay on the telephone.

In many cases, either consciously or more often subconsciously, the employee becomes imbued with a sense of power. It may influence the quality of his work; it may disturb his objectivity; *it may cause the loss of customers.* Some credit department employees are like the sentry who says, "They shall not pass" and fancy themselves as the champion of the store. Others wage a continuous "tug of war" with past-due debtors on a personal level.

Often the possession of knowledge gives rise to the power concept. The fact that great confidence and trust are placed in the credit department calls for certain precautions. Just as we protect the money by bonding we need to protect the abuse of power by a constant reminder to all employees concerning their proper functions. The credit department is at all times a service department.

It is necessary that the head of the credit department understand his role fully. He must have the right attitude and the right outlook. The other employees of the department are usually a reflection of the manager. They generally take their cues from him. Thus, very often, it is a good idea for the manager to exaggerate slightly such important qualities as courtesy, so that the lesson will be well taught to the other members of the department.

The credit department does not do any favors for customers. It is in fact the other way around. The customer is doing the credit department a favor, for if there were no customers there would be no credit department. True, these are simple concepts but we often lose sight of them when we get hurried and harried.

Next, let us turn our attention to the credit bureau and its relation to the theory. Employees of the bureaus often have little contact with the general public. Their contacts are primarily with credit department personnel. Employees of credit bureaus have access to vast storehouses filled with confidential information. They, "know something *you* don't know", as we used to say when we were children. This may give rise to a "smarter than you" superiority complex which may be very damaging in its effect. I am not implying that this condition is ever present, but it may be present because the psychological factors which can cause such a situation are there. The bureau manager himself may be totally unaware of its existence. The bureau functions as a service agency and sells information which it has collected from many sources. Sometimes the bureau employee in getting the information does not use sufficient tact and conveys the idea that employees of the credit department are *obliged* to comply with the request and that therefore such commonplace things as courtesy are unnecessary. This is not however a one-sided affair. I have been a witness to situations where the bureau representative was courteous and the credit department employee was rude in handling the request as an unimportant interruption. Courtesy has been likened to an oil which helps things run smoothly.

The credit bureau employee should be ever mindful of his function and should be entirely objective in his work. He should avoid personality conflicts with credit department personnel and should never convey a "Holier than thou" attitude, but should strive at all times to render the most efficient and accurate service possible.

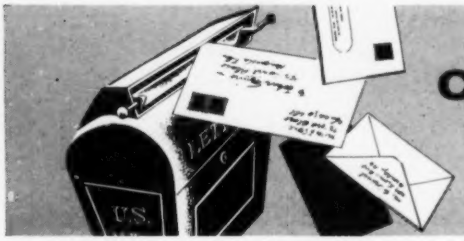
The history of the world has taught us that power can be a dangerous force. I believe that this force can create a peril which we must recognize in the operation of a credit department and a credit bureau if we are to achieve maximum success.

Thefts from auto (except accessories)	124,605	144,187
Auto accessories	203,644	221,141
Bicycles	106,408	108,447
All others	255,257	276,819
Total	744,549	803,185

Certainly there is an extra temptation on the part of anyone who has stolen an auto to round up one or more credit cards to furnish the "credit" needed to operate the car. Likewise, the figures on the miscellaneous thefts associated with autos fortify the statement that glove compartment thefts constitute the bulk of stolen credit cards.

A real public service has been rendered by the authors of The Credit World articles referred to herein, pointing as they do to a problem which demands careful study, and, of course, soundly conceived action to implement whatever recommendations or plan of action might be arrived at. Perhaps the formulation of model legislation is the first step, to be followed by an attempt to secure uniformity among the various states. The need for prompt as well as effective action seems difficult to overemphasize.

In addition to remedial legislation, other lines of attack might include the pooling of all derogatory information on a nation-wide basis, and the screening of all applicants for cards, and the handling of all reported abuses, with reference to this pool of information. Poor identification has been cited as the main contributing factor in successfully plied check fraud, and the same may be true of the process of honoring credit cards. Can this be tightened up? Giving publicity to enforcement measures might also aid as in the case of recent campaigns against shoplifting. Beyond all of these measures we undoubtedly need to build a better moral and ethical situation in America, not only to overcome the evil of credit card abuses, but to combat the entire crime picture so startlingly drawn by the FBI.



CREDIT DEPARTMENT Communications

LEONARD BERRY

WE ARE OFTEN asked, "What is the best time of the year for credit sales promotion?" The answer is, of course, there should be no "closed season" on credit sales promotion. Anytime is a good time for credit sales promotion.

To be sure, retailing being a business of peaks and valleys of sales velocity, there will of necessity be more intensive effort at some seasons than at others. Newspaper, direct mail and other sales efforts are stepped-up to capture maximum sales volume at seasonal peak periods. Generally speaking, however, credit sales promotion activity should be *steadily continuous*. Violent spurts of activity, followed usually by a complete letdown, are not so productive in profitable credit sales as is consistent and persistent plugging.

For example, inactive account follow-up should be a well-planned and top-priority, month in and month out, procedure. Customers like to feel, and be told, that they are missed. Blank or balanced statements should always carry some message to the inactive customer. Imprints, stickers, inserts, even handwritten notes, are relatively inexpensive and they serve the purpose of reiteration of the theme that *credit customers are appreciated and valued*.

Kept up for five or six months, depending on the nature of the business, followed with a couple of personalized letters and finally, the mailing of the Addressograph plate to the customer as a clear indication of permanently being off the books, should bring about a rewarding recovery rate. Do not forget that at least $10.00 is invested in every account on the books and inactive accounts represent unproductive assets. It pays to work the gold mines of your ledgers.

Newcomers to the community should be welcomed as rapidly as possible. Newcomers soon get to feel like oldtimers. Delayed welcomes lose their freshness and sincerity, to say nothing of their effectiveness. It is astonishing to discover how long some stores and firms take to get their welcome to newcomers delivered. It is easy to imagine a prospective customer saying, "Well, it certainly took them long enough to find out we are here!" or, "This outfit for sure cannot amount to much—Jones and Company had a welcome letter here weeks ago." The newcomer procedure should be prompt and pleasing. Those are your new friends—you need them!

This tremendous "young" market should be cultivated. Opinion varies as to the specific value to the store of promoting "Junior" charge accounts, but there can be little doubt that not only is the market a rich one, but important store allegiances established early tend to persist and influence lifetime shopping habits. Shoppers are more inclined to shop where they find a warm welcome and a sympathetic handling of their needs. These factors are even more powerful in creating loyalty and repeat business than excellence of merchandise and convenience of location. The credit sales department can capture the affection and good will of these youngsters early in life and reap years of profitable business relationship.

The search for new customers should never cease. With the steady erosion of any customer list, estimated to be at least 15 per cent a year, unless there is a steady stream of new accounts flowing in, the reservoir will soon be dry.

It might be a good idea to solicit new credit customers in "off" seasons. For one thing, your invitation will stand out because it will probably be the only one coming at that time. For another thing, all the preliminaries of processing new accounts can be done in normally slack times and thus the accounts are all established and ready for instant use when the shopping season begins to crackle. That would be a money-saving and smart thing to do.

All this costs money. That is why we recommend that a separate budget of at least one per cent of estimated credit sales be set up, with the credit executive budgeting *his time* so that he spends up to one half of his store hours actively promoting credit sales.

Credit sales promotion . . . that is the principal and most rewarding responsibility of today's credit sales manager. Never resting, never letting-up, always searching for new customers and more profitable credit sales, our credit executive earns his place as a vitally necessary sales producing member of the executive team.

This Month's Illustrations

Illustration No. 1. Keith R. White, Credit Manager, Pittsburgh Plate Glass Company, Des Moines, Iowa, makes a sound point when he asks, "Is there any one who doesn't like to be told 'Thank you' when it is deserved?" Mr. White mailed this letter to his deserving customers during the third week of January, 1960. You might get some ideas from this goodwill-building gesture you can use next year.

Illustration No. 2. From time to time we like to show examples of applications for credit. Here is one used by Joske's, San Antonio, Texas. Just across from this illustration we show the inside pages of a fold-over leaflet used by the same firm to describe the new Flexible Charge Account now being promoted.

Illustration No. 3. Here is a splendid new account acknowledgement letter from Richards, Miami, Florida. With the letter is sent a cleverly designed fold-over descriptive leaflet enclosing the new customer's Charga-Plate. This leaflet spells out the advantages of carrying the Charga-Plate whenever shopping and gives instructions about the use of the identification device for maximum shopping satisfaction.

Illustration No. 4. This is another descriptive leaflet. Here are set forth the details of Addis Company, Syracuse, New York, Income Budget Account. Full information about credit plans helps greatly in securing customer acceptance and approval.

Please send us examples of *your* credit department letters.

PITTSBURGH
PLATE GLASS COMPANY

MERCHANDISING DIVISION
DON BERG, MANAGER

700 NEW YORK AVENUE DES MOINES 6, IOWA

1

Dear Mr. ____________

A belated New Year's Greeting? - No - we purposely planned it this way.

The Holiday Season is over and, as we all do each year, we settle down to the realities of business as usual. We look forward to the year which is ahead and also take time to look back over past accomplishments.

Above all, there is one accomplishment we did not wish to go unmentioned - your consistent promptness in handling your account with us. Because of this you seldom, if ever, hear from the Credit Department, and we did wish this letter to reach you after the rush of the Holiday Season so that it would not be overlooked. We are sincerely appreciative of your excellent record.

The fine relationship which exists between yourself and us is the result of mutual understanding and cooperation. We know that the year ahead will ever increase this bond between us.

BEST WISHES FOR 1960 from all of us.

Very truly yours

PITTSBURGH PLATE GLASS COMPANY

Keith R. White

Keith R. White
Credit Manager

CApitol 7-4343

Joske's of Texas

Established 1873

2

By The Alamo — San Antonio 6

Date ____________

Gentlemen:

Please consider this an application for an account in my name.

Mrs.
Mr. ____________ wife's first name ____________
Miss

Street Address ____________ City ____________ Phone ____________

Employed by ____________ How Long ____________

Business Address ____________ Occupation ____________

Military Serial No. ____________ Rank ____________ Organization ____________

Wife Employed by ____________ Position ____________ How Long ____________

Married ☐ Single ☐ Divorced ☐ Widow of ____________

Previous Address ____________
Street Address City

Own Home ☐ Rent ☐ Buying ☐

Name of Parent or Nearest Relative ____________

Street Address ____________ City ____________

Other Personal Ref. ____________

Street Address ____________ City ____________

Type of credit requested (see reverse side for description)

30-day Charge Account ☐ Budget Account ☐ Coupon Account ☐

RCA ☐ If RCA is desired, what limit? $ ____________ (See reverse side)

I have had accounts with:

Carl's ☐ Fashion ☐ Frank's ☐ Frost's ☐ Hutchins ☐
Sears ☐ Vogue ☐ Wolff & Marx ☐

Others ____________

Name of Bank ____________ Checking ☐ Savings ☐

In consideration that Joske's of Texas extends me credit, I agree to pay in full all accounts at Their Office in San Antonio, Texas.

Signed ____________

Richards

MIAMI 31, FLORIDA

OFFICE OF THE PRESIDENT

3

Dear Friend:

We are happy and proud to welcome you as a new Richards charge customer.

The entire personnel of Richards is ready to serve you in every way to make your shopping more pleasant and convenient. We are sure you will be pleased with the values and fashions you'll find for you, your family and home.

On the next page you'll find your Charga-Plate. With it in your hand, all you need say is, "Charge it" and you'll be able to buy the things you need when you want them. When you make a purchase, just present it to the salesperson and it will save you time and guarantee correctness.

Please read the following pages carefully. It will help you enjoy the full benefit of your Charge Account privileges.

We appreciate your patronage, and if at any time we should displease or disappoint you, please tell us for Richards always wants to be YOUR Friendly Store.

Cordially yours,

Paul S. Walker

Paul S. Walker

4

ANSWERS TO YOUR QUESTIONS:

WHAT IS IBA?

Its very name explains it. It is an INCOME BUDGET ACCOUNT on which you pay a fixed amount each month. It is different from other extended credit plans, for, as you make a payment that amount of credit again becomes available to you. **You don't have to wait until your original purchases are paid before buying more.** Addis Company IBA Accounts can be arranged to suit individual needs with payments as low as $5.00 per month.

For Example:

You may have Continuous Credit up to	$60	$120	$180	$240	$300
If you pay Each Month	$ 5	$ 10	$ 15	$ 20	$ 25

The carrying charge is only 1% of each monthly balance.

IS IT DIFFERENT FROM A REGULAR CHARGE ACCOUNT?

Yes. The regular charge account has to be paid in full every month. IBA provides for payment up to 12 months.

WHAT EFFECT DOES IT HAVE ON MY CREDIT RATING?

No effect whatsoever . . . , in fact, by making your agreed monthly payments regularly, you enjoy the finest credit rating obtainable.

CAN I CHARGE MORE TO MY IBA WHILE I AM MAKING PAYMENTS?

Yes, your limit is twelve times your monthly payment, and your IBA renews itself automatically as you make your payments.

DO I GET A MONTHLY STATEMENT?

Yes, you receive a statement with the saleschecks describing each purchase every month for all purchases made during the month.

WHERE DO I MAKE ARRANGEMENTS FOR AN IBA ACCOUNT?

At the fourth floor Credit Office in the Downtown Store, or manager's office in the Shoppingtown Store.

WHAT HAPPENS IF I SPEND MY WHOLE YEAR'S CREDIT AT ONCE?

Each time you make a payment you automatically receive the same amount of credit which you can spend until you again reach your limit.

DOES MY ACCOUNT EVER HAVE TO BE PAID UP COMPLETELY?

No, it is a permanent budget account that never has to be paid up completely and runs as long as you want to use it, provided, of course, your monthly payments are made regularly.

HERE ARE ANSWERS TO YOUR QUESTIONS ON JOSKE'S NEW FLEXIBLE CHARGE ACCOUNT

What is the new Flexible Charge Account?

It's a credit account that gives you the advantage of spreading payments over several months . . . and allows you to increase or decrease your credit limit according to your needs!

How much will I have to pay each month?

Your payment depends on what you buy . . . it can be as little as $10! You get a statement every month showing your balance and the amount due! (Look at the easy payment chart on the back cover!)

May I charge all my purchases to Flexible Charge Account?

Yes . . . that's a major advantage of this account! At Christmas, Easter or during the Back-To-School period, anytime when purchases are more numerous than usual, you may want to charge an extra fifty or a hundred dollars and spread the cost over several months. Your Flexible Charge Account helps you with your seasonal expenses . . . and as your temporarily increased balance gets lower, so do your payments!

May I use my Flexible Charge Account for anything in the store?

Yes! However, on major purchases such as furniture, television sets and major appliances, we suggest that you use a Budget Account giving you many extra months to pay! You can have Flexible Charge Account for your regular shopping AND a Budget Account for major purchases.

Is there a service charge on Flexible Charge Accounts?

Yes. A small charge covers the costs of handling your account. However, no service charge is added in any month in which full payment is made.

What identifies me as a Flexible Charge Account Customer?

A Charge-Plate will be mailed to you. Always carry it with you when shopping in person. Of course you may shop by mail or telephone!

State Legislation

Massachusetts: The Governor signed into law a new credit card law to become effective on September 6, 1960. "Although the law did not embody everything that the Retail Credit Association of Greater Boston had hoped for, it did go most of the way," Alexander Harding, president, stated.

Chapter 456 reads as follows:

An act providing that the use of a revoked or forged credit card or the unauthorized use of the credit card of another shall constitute larceny.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 266 of the General Laws is hereby amended by inserting after section 37 the following section:—*Section 37-A.* Whoever with intend to defraud knowingly uses or authorizes another person to use a revoked or forged credit card or makes reference by number or other description to a non-existent credit card and thereby obtains credit or the privilege of making deferred payment for the purchase or acquisition of money, goods or services, or whoever steals or wrongfully appropriates or uses without authority a credit card belonging to another person shall be guilty of larceny. The words "Credit Card," as used in this section, shall mean and include any card, plate, coupon, book or other device issued to a person which authorizes such person, members of his family, his employees or agents to purchase or otherwise acquire money, goods or service on credit or in deferred instalments. The words, "revoked credit card," as used in this section, shall mean a credit card which has been terminated by the person issuing the same by written notice sent to the person to whom such credit card has been issued at his last known address by certified mail.

Iowa: Iowa's fair trade law is unconstitutional, according to an opinion handed down in Des Moines by Polk County District Judge Ray C. Fontain, insofar as it attempts to permit manufacturers to bind all retailers in the state to minimum resale prices for their products through contracts requiring the signatures of only one retailer.

California: A ruling handed down by the California state attorney general's office held that trading stamps offered with sales of gasoline are actually a form of discount and this must be shown on advertised and pump prices. The ruling was explained by the State Attorney and two deputies to a group of service station representatives and gasoline company executives. The ruling basically revolves around the fact that after July 1, 1960, by California law all trading stamps must have a cash value and be redeemable in cash at that value. Most stamp firms have set this value at one-tenth of one cent.

New Jersey: Governor Meyner signed into New Jersey law three legislative bills to regulate consumer credit and otherwise provide consumer protection. One of the measures, which had been listed in the state legislature as S. B. 200, provides for licensing of car dealers and sets maximum finance charges of $7 per $100 per year on new car time sales, $10 on cars up to two years old, and $13 on cars two or more years old. It also sets a financing charge limit of $10 per $100 on general merchandise.

Another of the bills, S. B. 201, sets maximum charges of $7 per $100 per year on home improvement instalment contracts and provides stringent licensing requirements in the home improvement time sales field.

The third bill, S. B. 199, empowers the state attorney general to crack down on fraudulent selling and advertising practices.

Indiana: Proposed Indiana state regulations to require the disclosure of some finance company "rebates" to automobile dealers and retail firms were given a hearing before the State Department of Financial Institutions. The proposed rules would require the lowering of all maximum instalment finance charges. In discussing the proposed disclosure of rebates and kickbacks, a statement by State Senator Earl M. Utterback of Kokomo charged that the "time buyers of Indiana are being bilked out of hundreds of thousands of dollars" by the rebate practice.

This disclosure provision would require finance companies and dealers to tell the instalment buyers the amount of the rebate if the rebate is more than a specified amount.

Paul R. Moo, counsel, Associates Investment Company, said the Indiana State Supreme Court already had ruled that such a disclosure provision is unconstitutional. Arthur H. Northrup, counsel, Indiana Consumer Finance Association, however, said disclosure of rebates is legal and needed.

Florida: A drive to raise the standards of merchants' advertising was initiated by the Better Business Division of the Miami Chamber of Commerce, an effort undertaken in cooperation with the office of State Attorney Richard Gerstein. "We want merchants and manufacturers," said Gerstein, "to tell the truth in their advertising and give the full selling price."

Louisiana: A bill which would have required a fee of $600 a year for every retail establishment issuing trading stamps for purchases was rejected by the Judiciary A Committee of the Louisiana House of Representatives.

Florida: Retail stores offering instalment buying were slow about paying their license fees required by a 1959 Florida law, according to State Comptroller Ray Green. His office disclosed that only about 2,500 licenses had been taken out by early June whereas there are an estimated 10,000 retail stores handling instalment or revolving credit accounts in Florida. Wilful violations of the law are punishable by fines up to $500, loss of all carrying charges, and assessment of court costs and attorney fees.

New York: A new attempt will be made next year by the New York State Bankers Association to obtain the enactment of state legislation "giving commercial banks the same permission that licensed lenders have in obtaining insurance on lives and property of borrowers," it was predicted by M. H. Peet, chairman of the association's committee on legislation.

Japanese Study Group Visits National Office

The National Retail Credit Association was selected by the International Cooperation Administration, Washington, D. C., as one of the host associations for the Japanese Instalment Credit Study Group to visit during their brief stay in the United States.

Comprising the group which visited the National Office on June 26 were: Hisakichi Ohta, Director, Nissam Motor Company, Ltd.; Masao Arakawa, Manager of Sales, Administration Department, Hitachi Household Electric Sales Company, Ltd.; Masaji Fujita, Chief, Commerical Affairs Section, Ministry of International Trade and Industry; Tsuyashi Hamano, Manager, Takamatsu Branch, Toshiba Commercial Company, Ltd.; Osamu Hashiguchi, Chief, Finance Section, Banking Bureau Ministry of Finance; Ryoichi Honji, Manager, Instalment Sales Department, Matsushita Electric Industrial Co., Ltd.; Goro Kameyama, Chief Finance and Sales Department, Isuzu Motor Company, Ltd.; Ryuji Kamiya, Director and Finance Manager, The Toyota Motor Sales Company, Ltd.; Tsutomu Murai, Manager, Business Development Department, The Sumitomo Bank, Ltd.; Sadahei Nogami, Chief, Sales Promotion Department, Mitsubishi Electric Manufacturing Company; Shinjiro, Managing Director, Japan Specialty Store Federation; Isamu Komatsuki, Chief, European and American Section, Research Division, The Bank of Japan; Interpreters, Koichiro Kusano and Masaya Sasaki.

In an opening discussion, William H. Blake, executive vice president, NRCA, outlined "Consumer Credit in the United States." Leonard Berry, NRCA's Director of Education, presented the topic "Instalment Credit Dealers and Their Operations." Mr. Berry covered the range of commodities sold on the instalment plan, down payment practices and repayment terms, investigation methods, methods employed in collecting and credit life insurance.

A second phase of the training program, "Financing the Instalment Buyer," was presented in five parts: The Department Store sector was dealt with by Paul E. Hennerich, general manager, Scruggs-Vandervoort-Barney, Clayton, Missouri; the Specialty Store area was covered by Kenneth Oetzel, general credit manager, Boyd's, St. Louis, Missouri; Keith Saxon, director, Industrial Relations, Liberty Loan Corporation, St. Louis, Missouri, presented the Consumer Finance Industry picture, and Jack Dorhauer, assistant vice president, Bank of St. Louis, introduced Instalment Banking and Check Plan Banking.

The Study Group concluded their day's visit with a conducted tour of the Scruggs-Vandervoort-Barney suburban store in Clayton, Missouri.

North Carolina: A reduction in North Carolina credit accident and health insurance rates ordered by State Insurance Commissioner Charles F. Gold was appealed to Wake County Superior Court in Raleigh by American Bankers Assurance Company, of Florida, and the Credit Accident and Health Insurance Rating Bureau of North Carolina. They contended that the reduction order was "arbitrary and capricious and is unsupported by any substantial competent evidence." They further asserted that there was no evidence to support the commissioner's contention that the loss ratio isn't high enough.

Ohio: Andrew C. Putka, superintendent of Ohio's Division of Building and Loans, said he had received reports that some savings and loan associations were advertising in a misleading manner. He said the situation arose primarily in connection with certificates of deposit which guarantee a certain rate of interest, frequently higher than paid on regular savings deposits. However, the customer must deposit a specific amount and agree to leave it on deposit for a definite period of time.

He issued a memorandum to all state-chartered savings and loan associations asking that the condition be corrected.

New Jersey: Scheduled for a five-month test in the New Jersey city of Hackensack, beginning August 1, 1960, is a parking plan based on trading stamps given by merchants. Mayor Demarest said the city had two aims in the plan . . . to gain more funds and to help retailers combat the appeal of free parking at nearby shopping centers. Under the plan, parkers will receive tickets stamped with a date and a time as they enter a lot. When leaving, they either will present stamps obtained from merchants or pay cash. The rate will be 5 cents an hour for the first three hours and 10 cents an hour, up to a maximum of 75 cents.

Pennsylvania: An order to halt Pennsylvania's efforts to set minimum wage standards in the retail marketing industry was sought in Dauphin County Court by the Pennsylvania Retail Trade Association. An immediate object of the action was to halt a meeting of a newly formed State Mercantile Minimum Wage Board, scheduled to meet July 12 in Pittsburgh. The board is to gather data and recommend wages for some 200,000 persons, mainly women and children employed in retail trade.

North Dakota: Voters at a referendum held in conjunction with their primary election overwhelmingly approved a referred legislative measure providing for the state's first regulation of small loan companies. Providing for regulation of small loan firms making loans up to $1,000, the measure limits charges to 2½ per cent per month on the unpaid balance up to $250; 2 per cent from $250 to $500; 1½ per cent from $500 to $750; and 1 per cent from there to $1,000.

Delaware: A motor vehicle sales finance act was passed by the Delaware House of Representatives after earlier approval by the State Senate. The measure would put automobile sales financing under supervision of the state banking commissioner, and set maximum financing charges for new cars and for used cars in two age groups.

North Carolina: In a ruling expected to be appealed to the North Carolina Supreme Court, a state license tax on dealers in instalment paper was held constitutional by Wake County Superior Court Judge Hamilton Hobgood in Raleigh. The Appellant contends the tax is unconstitutional because banks, which also handle instalment paper, are exempt from it.

Texas: An opinion handed down by the Texas Third Court of Civil Appeals in Austin ruled that another so-called "certificate" loan plan was unconstitutional on the grounds that it amounted to usurious interest. The Appellate Court ordered a permanent injunction against Pacific Finance Loans from making any contact "for collection or attempting to collect from any borrower interest in excess of 10 per cent per annum."

Consumer Credit Outlook

Consumer instalment credit increased $323 million during May, after allowance for seasonal variation, to a total of $40.7 billion. Credit extensions in May declined $230 million, while repayments showed little change from the previous month.

Automobile credit outstanding increased $132 million, which was the smallest monthly increase since 1958. Other consumer goods paper rose $65 million . . . about $90 million less than in April but about the same as the average for the previous six months. Personal loans continued to rise at a rate of about $100 million per month. All figures are seasonally adjusted.

Noninstalment credit outstanding declined $52 million . . . seasonally adjusted outstanding single payment loans and charge accounts declined.

Total consumer credit outstanding increased $271 million on a seasonally adjusted basis . . . to $52.8 billion at May 31.

Instalment account receivables of department stores declined slightly in May but were substantially higher than a year earlier. Collections on instalment accounts were 15 per cent of outstandings at the beginning of the month.

Charge account receivables also declined moderately in May but were 6 per cent higher than a year ago. About 44 per cent of the charge account receivables outstanding at the beginning of May were collected during the month.

Sales declined in May, after an unusually large increase in April, and were slightly lower than a month ago.

The Census Bureau estimated that there were 52,610,000 households in the United States in March, 1960. Of all the households 44,300,000, or 64 per cent, were urban while 15,100,000 or 28 per cent, were rural non-farm households, and 4,100,000, or 8 per cent, on farms. The Bureau defines a household as all persons living together who occupy a house, an apartment, a group of rooms or a single room, constituting a single housing unit.

Consumers are reported to be scaling down their buying plans, according to the University of Michigan's quarterly report on buying attitudes. The Survey Research Center stated that there was a marked decline in the consumer's optimism since February, 1960. The consumer is concerned about the possibility of a recession. The explanation for the most recent changes in consumer sentiment is found in the absence of favorable stimuli and in uncertainty about how this fast pace can be maintained in the economy. The survey economists believed that the consumers constantly need new stimulation to remain optimistic.

Family incomes in 1959 hit a record high, reports the Census Bureau. The median income was $5,417, approximately $330 or 6 per cent higher than 1958. Incomes are still rising, which means that the standards of living in America, as well as the purchasing power, will continue on the upward side. Despite the disappointing business so far this year, the Bureau says that there is little in the outlook that points to serious setback.

The United States is now a nation of 179.5 million people, which is a 28 million in-

Changes in Department Store Sales and Accounts Receivable

May, 1960		*Percentage change from:* Month ago	Year ago
Sales during month:	Total	−11	− 2
	Cash	−10	− 4
	Charge	−13	− 3
	Instalment	−10	+ 4
Accounts receivable, end of month:			
	Charge	− 1	+ 6
	Instalment	− 1	+17

Collection Ratios and Percentage Distribution of Sales

Item		*May 1960*	*Apr. 1960*	*May 1959*
Collection ratios[1]:	Charge accounts	44	44	47
	Instalment accounts	15	15	15
Percentage distribution of sales:				
	Cash	43	43	43
	Charge	42	43	43
	Instalment	15	14	14

[1]Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding
(Estimates, in millions of dollars)

Type of Credit	*May 31, 1960*	*Change during:* *May*		
		Unadj.	*Sea. Adj.*	*Year ended May 31, 1960*
Instalment credit, total	40,740	+475	+323	+5,383
Automobile paper	17,481	+263	+132	+2,353
Other consumer goods paper	10,080	+ 58	+ 65	+1,193
Repair and modernization loans	2,786	+ 50	+ 36	+ 367
Personal loans	10,393	+104	+ 90	+1,470
Noninstalment credit, total[1]	12,091	+187	− 52	+ 845
Single-payment loans	4,345	+ 98	− 51	+ 420
Charge accounts[1]	4,547	+ 96	− 24	+ 188
Service credit	3,199	− 7	+ 23	+ 237
Total consumer credit[1]	52,831	+662	+271	+6,228

[1]Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $417 millions on May 31, 1960.

crease over 1950. Statistical data shows a definite swing toward the West. Population of the Western States has grown nearly 38 per cent, more than double the national average. Politically, the West will gain 10 seats in Congress, while the East and Midwest will lose 11 seats.

Eighteen to 20 per cent of all the personal income in this country today is going to Americans who are not working, according to the Department of Commerce. The Federal Government is paying fully 7 per cent to individuals, primarily in the form of social-security pensions, veterans' benefits, and the like. Another large amount is being paid by private corporations in dividends to owners of stocks. Interest from savings accounts, bonds, and rent from property also make up this large amount. The importance of this type of income is recognized by Fortune magazine when it states that "not working" income is the fastest growing major "occupation" in the United States today.

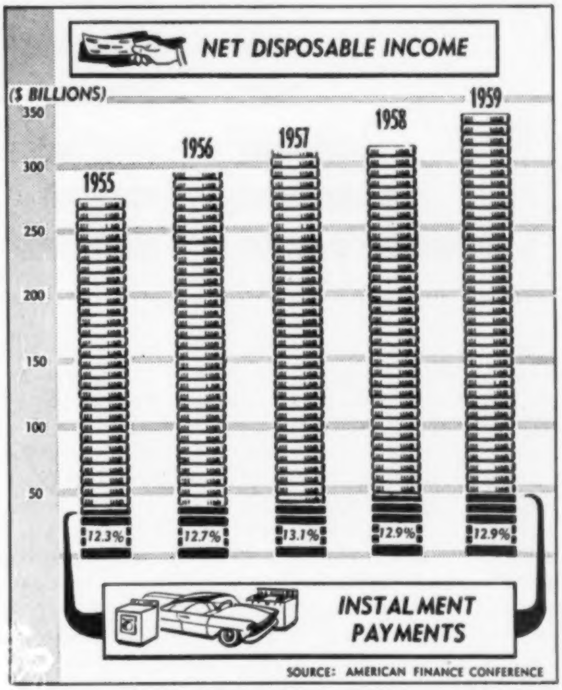
Personal income in May was at a seasonally adjusted annual rate of $399.5 billion . . . up $1.5 billion from April, the Office of Business Economists, U. S. Department of Commerce said. Approximately half of the April-May increase occurred in wage and salary disbursements, with most of the remainder in proprietors' income. Transfer payments were somewhat lower in April.

The Consumer Price Index increased slightly in May to 126.3 (1947-49-100), exceeding the April high by 0.1 per cent, the U. S. Labor Department's Bureau of Labor Statistics announced today. In May, as in April, the index was 1.9 per cent higher than in the same months a year ago.

Congressional Action states that the unrelenting crusade of liberals to attach the Forand Medical Care bill to pending Social Security legislation will be resumed when Congress reconvenes in August after the national conventions. The bill would enlarge the Social Security System to provide for tax-paid medical care.

Minimum Wage will be very much in the news after Congress returns in August. The House passed a bill raising the minimum wage to $1.15 an hour and expanding coverage to 1.4 million employees of the retail chain stores operating in two or more states. The Republican-backed bill was sponsored by Representatives Ayres (R-Ohio) and Kitchin (D-N.C.). A last-minute amendment by Congressman Smith (D-Miss) could result in 14,000,000 employees covered since 1938 no longer being covered. "Liberals" upon their return to Congress will try to force

Credit, Income Rise Alike



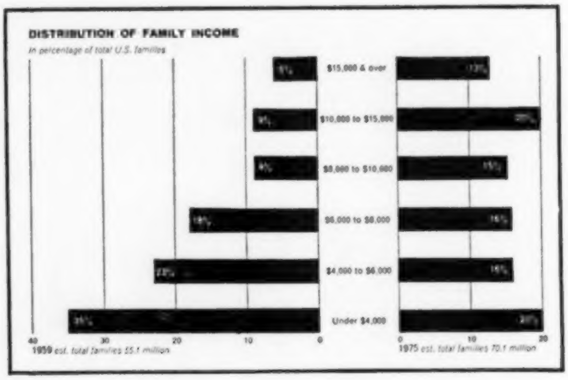
Consumers' rising use of instalment credit is supported by rising income. Ratio of time payments to personal after-tax income has held about the same for five years, as shown in this chart by the American Finance Conference, national association of independent sales finance companies. Government data year by year since 1955, in billions of dollars: Instalment payments, 33.6, 37.2, 40.3, 40.9, 43.2; net disposable income, 274.4, 292.9, 307.9, 316.5, 334.6.

through the still more far-reaching Kennedy-Roosevelt minimum wage bill.

The National Office Management Association's annual survey of 9,100 companies in 136 cities employing 592,000 office employees reveals that the forty-hour basic work week is still the standard for the majority of companies; the average weekly salary rate for the clerical employees is now $73.00; six paid holidays per year is still most popular; and that unionization in offices reflects a slight increase this year.

Trading stamp exchanges pop up to aid housewives who receive several kinds from various stores. An operator of two Texas exchanges is reported to swap five kinds of stamps, charges 25 cents a book for the service.

The Instalment Credit Commission American Bankers Association, states that at the end of May, 1960, the delinquency ratios on all classes of instalment loans are being contained satisfactorily. Despite this excellent experience with consumer borrowing, several clouds appear on



the horizon which are causing lender apprehension—the tremendous impact of the compact automobile upon our economy; the first million-unit inventory of new cars in the industry's history with the clean-up promising to be dramatic during a normally poor sales period; the unusually heavy accumulation of used car stocks with prices falling; and, lastly, some consumer concern toward the immediate economic outlook.

Should the automobile industry repeat its 1955 performance, there is ample evidence that the results may not be so favorable. Terms have been extended to the maximum—36 months for new car financing. The availability of funds, while more favorable at the present, is creating an extremely cautious approach to further credit expansion. This is the period for tight control and curtailment of floor plan lines. Alertness and caution at this time will avoid the dángerous hazards of this type financing.

Earnings of Diners' Club, Inc. were hurt in the past fiscal year because of unwise attempts to meet competition, but the company expects profits to improve in the future because it has abandoned those efforts. Ralph T. Schneider, Diners' Club chairman, said that in recent months Diners' Club has decided to stop entering new fields merely to meet competition. The Company also has tightened up its credit standards to reduce losses from bad debts.

Major appliance makers are stepping up efforts to reduce their inventories. At the end of May, factories and distributors' warehouses had 18.5 weeks' supply of refrigerators, ranges, freezers and home laundry equipment, in terms of the sales pace of the previous month. This compares with 12.9 weeks' supply at the beginning of 1960 and a 14.2 week stock at the end of May, 1959, in terms of December, 1959 and May, 1959 sales, respectively.

A study released by Doyle Dane Bernbach, Inc., New York, indicates that the nation's giant retailers and manufacturers may be exchanging traditional roles. Retailing has traditionally looked to the merchandising function for its net profit, indicates the study. Today, with the giant retailers winking at real estate, finance, warehousing and other non-merchandising functions, the era of retail turnover of inventory as the basic source of retail net profit may be drawing to a close. Manufacturers, continues the study, now must perform more of the total retail merchandising function in the giant outlets than the retailer.

Not long ago, women who worked usually felt obliged to explain why. But now the woman who does not work is on the defensive, according to Dr. Mary Osborne, a marriage counselor who teaches at Sarah Lawrence College. Dr. Osborne says that so many women, mothers and wives included, are now working, many housewives feel guilty. Thus a large number of women who might ordinarily lead full and happy lives at home are driven by social pressures to find jobs.

Key TV, a small device that lets television viewers talk back, was demonstrated at the National Community Television Association Convention at Miami Beach. H. J. Schlafly, Jr., vice president of TelePrompter, said the device would make it possible for viewers to take educational television course examinations, participate in opinion polls, and, eventually, buy merchandise shown on television.

Ralph W. Applegate president, Oil Services Credit Corporation, Chicago recently announced plans for a universal oil credit card that will be accepted at member gas stations throughout the country. The card is expected to be in circulation in the next 60 to 90 days. By January, 1961, the Corporation expects to have 2 to 3 million card holders.

Automobile manufacturers are entering a new era. Two significant trends are the cause . . . the gradual abandonment of the annual style change . . . the overwhelming popularity of compact cars.

Retailers can expect the newspaper industry to impose even stricter rules on their advertising, says Printer's Ink. Publishers have been alarmed of late by the host of government complaints against retail advertisers, particularly department stores, that have been accused of exaggeration and deception in their promotions. The Federal Trade Commission complaints could not have come at a worse time, states Printer's Ink.

The Merchants Association of Greater Tampa, in cooperation with Sheriff Ed Blackburn, will soon distribute posters to more than 5,000 business firms in Hillsborough County which head, "All strangers who cash checks here must fill in this card from the Sheriff's office." In all cases of doubt, merchants have been urged to call attention of a stranger wishing to cash a check to the poster and have him fill out the 3" x 5" card that will be furnished by the Sheriff's Department.

Public relations in the credit department is frequently overlooked, says George A. Hausmann, Association Public Relations Director. "Every member of an organization, whether he be president or porter, helps create public relations for that organization. We all know the importance of the credit department to an organization. But, how often do we consider the public relations job this department can and should do. Here is a department that is not ordinarily associated with public relation work, but yet creates more good public relations than those departments whose work this is. The credit department, by means of its normal operation procedures, comes in contact with the customer. Sometimes this contact is brief, while at other times this contact is long and involved. It is in this area that the good or the damage is done. The professional credit sales executive seldom has difficulty with touchy situations, however, the junior staff members sometimes run into difficulty."

Retailers recently took the latest reading from a well-established barometer of retail price trends, the semi-annual catalogs of three major mail-order houses. The reading: little change. Sears, Roebuck & Company's catalog, going to more than nine million families across the nation, revealed its prices are nearly one per cent lower than those in the 1960 spring and summer catalog. Spiegel's catalog shows price levels virtually unchanged from fall, 1959, levels with the over-all average one per cent lower. Montgomery Ward's prices for the fall season average about the same as a year ago, with items such as tires, deep freezers and refrigerators showing price reductions varying between three per cent and nine per cent.

Consumer Instalment Credit, by Holder and Type of Credit
(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	*May 31, 1960*	*Increase or decrease during:*		
		May 1960	*May 1959*	*Year ended May 31, 1960*
Total	40,740	+475	+595	+5,383
Commercial banks	15,597	+195	+271	+1,952
Sales finance companies	10,744	+140	+168	+1,655
Credit unions[1]	3,484	+ 66	+ 49	+ 669
Consumer finance companies[1]	3,888	+ 30	+ 7	+ 494
Other financial institutions	1,841	+ 38	+ 35	+ 244
Retail outlets[2]	5,186	+ 6	+ 65	+ 369
Automobile paper	17,481	+263	+318	+2,353
Commercial banks	7,774	+133	+151	+1,058
Sales finance companies	7,631	+ 93	+136	+ 952
Other financial institutions	1,461	+ 28	+ 20	+ 263
Automobile dealers	615	+ 9	+ 11	+ 80
Other consumer goods paper	10,080	+ 58	+132	+1,193
Commercial banks	2,571	+ 4	+ 37	+ 224
Sales finance companies	2,132	+ 36	+ 23	+ 527
Other financial institutions	806	+ 21	+ 18	+ 153
Department stores[3]	2,059	+ 4	+ 26	+ 252
Furniture stores	1,071	− 9	+ 1	+ 27
Household appliance stores	276	− 1	+ 1	− 7
Other retail outlets	1,165	+ 3	+ 26	+ 17
Repair and modernization loans[4]	2,786	+ 50	+ 55	+ 367
Commercial banks	1,976	+ 28	+ 34	+ 222
Sales finance companies	45	+ 3	+ 2	+ 23
Other financial institutions	765	+ 19	+ 19	+ 122
Personal loans	10,393	+104	+ 90	+1,470
Commercial banks	3,276	+ 30	+ 49	+ 448
Sales finance companies	936	+ 8	+ 7	+ 153
Other financial institutions	6,181	+ 66	+ 34	+ 869

[1]Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.

[2]Figures by type of retail outlet are shown below under the relevant types of credit.

[3]Includes mail-order houses.

[4]The face amount of outstanding FHA Title I loans at the end of May is reported by the Federal Housing Administration to be $1,861 million, of which an estimated $1,582 million is for consumer purposes and is included in the above.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding
(In millions of dollars)

	Total	*Automobile paper*	*Other consumer goods paper*	*Repair and modernization loans*	*Personal loans*
Without seasonal adjustment					
Credit extended					
1960—May	4,335	1,664	1,153	198	1,320
April	4,457	1,697	1,168	173	1,419
1959—May	4,092	1,580	1,128	198	1,186
Credit repaid					
1960—May	3,860	1,401	1,095	148	1,216
April	3,840	1,355	1,086	143	1,256
1959—May	3,497	1,262	996	143	1,096
Seasonally adjusted*					
Credit extended					
1960—May	4,209	1,543	1,164	186	1,316
April	4,437	1,652	1,240	178	1,367
1959—May	4,112	1,533	1,160	190	1,229
Credit repaid					
1960—May	3,886	1,411	1,099	150	1,226
April	3,904	1,397	1,084	147	1,276
1959—May	3,628	1,318	1,014	149	1,147
	Changes in outstanding credit, seasonally adjusted[1]				
1960—May	+323	+132	+ 65	+36	+ 90
April	+533	+255	+156	+31	+ 91
1st qtr. mo. av.	+403	+194	+ 81	+28	+100
1959—4th qtr. mo. av.	+392	+151	+ 74	+28	+109
3rd qtr. mo. av.[2]	+511	+214	+121	+33	+143
2nd qtr. mo. av.	+474	+222	+139	+34	+ 79
1st qtr. mo. av.[2]	+369	+175	+ 96	+22	+ 76

[1]Seasonally adjusted changes in outstanding derived by subtracting credit repaid from credit extended.

[2]Changes do not reflect the incorporation of figures for amounts outstanding for Alaska and Hawaii in January and August, respectively.

NOTE:—Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

*Includes adjustment for differences in trading days.

Quotable "Quotes". . . .

• *Anonymous:* "There are three kinds of people in the world . . . first, those who make things happen; secondly, there are those who sit back and watch things happen; and thirdly, there are those who don't even know what is happening."

• ***Lambert J. Case:*** **You may not always be what you think you are, but—what you think, you are."**

• *Alvin Constans:* "Cash is the poor man's credit card."

• Ines Robb: *"Anyone caught with money on his person today is viewed with suspicion as a vagrant."*

• ***William Dansforth:*** **"Lines of least resistance make crooked rivers and crooked men."**

• *William Winans:* "Not doing more than the average is what keeps the average down."

• Confucius: *"It's not truth that makes man great, but man that makes truth great."*

• ***Charles Lamb:*** **"The human species, according to the best theory I can form of it, is composed of two distinct races, the men who borrow, and the men who lend."**

• *Alexander Pope:* "'Tis education forms the common mind: Just as the twig is bent the tree's inclined."

• Ralph Waldo Emerson: *"Money, which represents the prose of life, and which is hardly spoken of in parlors without an apology, is in its effects and laws, as beautiful as roses."*

• ***Plato:*** **"Where there is an income tax, the just man will pay more and the unjust man less on the same amount of income. (427-347 B.C.)"**

• *Schiller:* "Only those who have the patience to do simple things perfectly ever acquire the skill to do difficult things easily."

• ***Ernest Bevin:*** **"There has never been a war yet which, if the facts had been put calmly before the ordinary folk, could not have been prevented. The common man is the greatest protection against war."**

• *Walter Lippman:* "In foreign relations, as in all other relations, a policy has been formed only when commitments and power have been brought into balance."

Philosopher's Corner

"You cannot put the same shoe on every foot."

—PUBLILIUS SYRUS (Circa 42 B.C.)

• Walter Lippman: *"The final test of a leader is that he leaves behind him in other men the conviction and the will to carry on."*

• ***Christopher Morley:*** **"When you sell a man a book you don't sell him just twelve ounces of paper and ink and glue —you sell him a whole new life."**

• *James Thurber:* "You might as well fall flat on your face as lean over too far backwards."

• Ernest Haycox: *"No sensible man watches his feet hit ground. He looks ahead to see what kind of ground they'll hit next."*

• ***Robert Hutchins:*** **"We do not know what education could do for us, because we have never tried it."**

• Benjamin Franklin: *"If a man could have half his wishes, he would double his trouble."*

• ***Sir William Osler:*** **"The very first step toward success in any occupation is to become interested in it."**

• *LaRochefoucauld:* "Ideas often flash across our minds more complete than we could make them after much labor."

• Samuel Butler: *"Lying has a kind of respect and reverence with it. We pay a person the compliment of acknowledging his superiority whenever we lie to him."*

• ***Thomas Carlyle:*** **"Men that can have communication in nothing else, can sympathetically eat together, can still rise into some glow of brotherhood over food and wine."**

• *William Allen White:* "Everyone expects to go further than his father went; every one expects to do better than he was born and every generation has one big impulse in its heart—to exceed all the other generations of the past in all the things that make life worth living."

• French Proverb: *"Young people tell what they are doing, old people what they have done and fools what they wish to do."*

• ***Epicurus:*** **"A man who causes fear cannot be free from fear."**

• *William McFee:* "Responsibility's like a string we can only see the middle of. Both ends are out of sight."

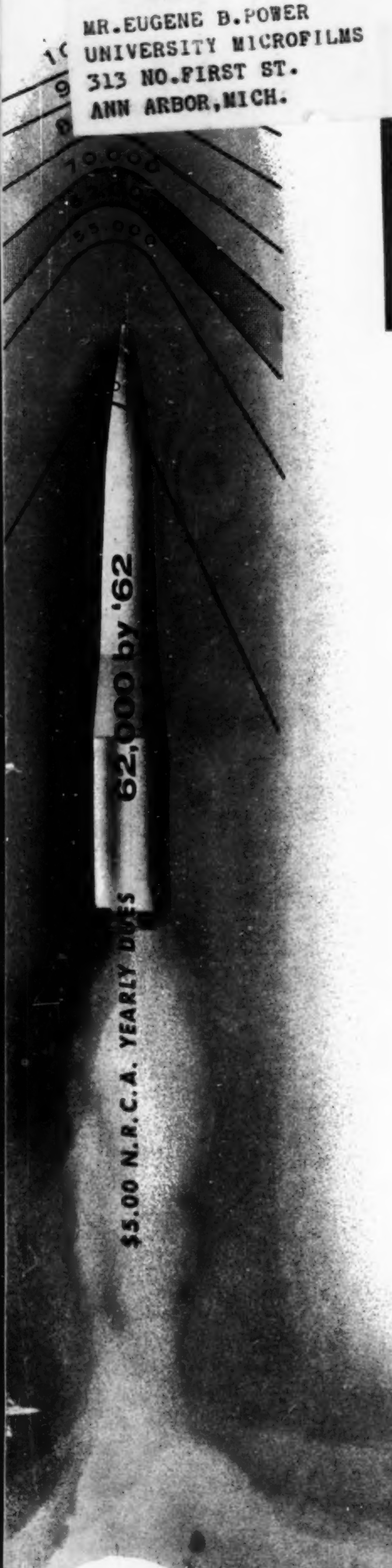
• Franklin Roosevelt: *"These unhappy times call for the building of plans . . . that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid."*

A Text . . .

Contributed by David K. Blair, Los Angeles, California. What's your favorite text?

"Be strong and of a good courage; be not afraid, neither be thou dismayed: for the Lord thy God is with thee whithersoever thou goest."

Joshua 1, 9.



N.R.C.A.'s

"PROJECT PUSH"

Enters Its Second Operational Phase

"55,000 by June 1961"

"Project Push"

Depends upon the collective efforts of all Credit Sales Managers and Credit Bureau Managers

"Project Push"

N.R.C.A.'s Membership Committee successfully launched "Project Push" into the 50,000 member area in 1960. They are shooting for 55,000 members by June 1961. They are looking to every N.R.C.A. member and Credit Bureau manager for support.

Get behind "PROJECT PUSH" today . . . Sitting still is not progress . . . enroll a member now!

Call your local Credit Bureau manager or write to National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri, for further information.

"62,000 members by '62"

N.R.C.A.'s 50th Anniversary